

MISSISSIPPI

Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2008

Mississippi



Fiscal Year Ended June 30, 2008

Department of Finance and Administration

Post Office Box 267
Jackson, MS 39205

Kevin J. Upchurch
Executive Director



This book has been printed on recycled materials.



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI OFFICE OF THE GOVERNOR



December 19, 2008

To the Members of the Legislature and Citizens of Mississippi:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the year ending June 30, 2008. This report gives an overview of state government fiscal activity, and I am pleased to say that our state's fiscal affairs are on solid ground. However, there's no doubt that our nation is facing hard times, and Mississippi is not immune to economic downturns in the national economy.

Since I became Governor in 2004, we have worked hard—and succeeded—in moving Mississippi in the right direction. By making responsible and oftentimes tough decisions, together we dug out of a \$720 million budget hole without raising anybody's taxes. Today we've filled our rainy day fund, which is a critical component of ensuring that Mississippi is prepared to weather unforeseen economic crises during this uncertain period.

Although our state endured the worst natural disaster in American history, Mississippi continues to rebound from Hurricane Katrina. We've made a tremendous amount of progress since the storm, but our work here is not finished. I remain convinced that the strong, resilient spirit of our people is paving the way for a South Mississippi and Gulf Coast that's bigger and better than ever.

The last few months have made it clear that America's economy is in turmoil, and in Mississippi we're seeing tax collections fall below what was predicted. During this period of economic uncertainty and hardship, now more than ever we must sharpen our pencils to make sure we can continue to fund our priorities; indeed, we must focus on getting more from the money we spend. As we look to next year's budget, we've got to find a balance between funding priority services for our citizens and protecting our state's fiscal integrity. We must put away the state's credit card, so we can reduce the debt burden on our children and our grandchildren, thus ensuring a bright future for all Mississippians.

As we remain focused on our top priorities, the most critical of which is fiscal responsibility, I plan to continue working to move Mississippi forward through smart policies that create jobs and foster economic growth. It is an honor for Marsha and me to serve this great state. Despite the current economic conditions, I'm optimistic about our future because I know that with strong leadership and good policies, we can give our children and grandchildren a greater opportunity than my generation ever dreamed.

Sincerely,

A handwritten signature in black ink, reading "Haley Barbour".

Haley Barbour

Mississippi

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Introduction



**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR



December 19, 2008

To Governor Barbour, Members of the Legislature, and Citizens of the State of Mississippi:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2008 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

State managers are responsible for establishing and maintaining internal controls to ensure that adequate accounting data is compiled to allow preparation of financial statements in conformity with GAAP. Because the cost of a control should not exceed the benefits likely to be derived, internal controls have been implemented to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements. I believe the information as presented is complete and accurate in all material respects.

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the State Auditor has performed an examination, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, of the State's basic financial statements. His unqualified opinion is presented as the first page of the financial section of this report. Also, as required by federal law, the State Auditor has undertaken a single audit of the state as a whole, which will include a report on compliance and internal control over compliance on major federal program funds expended by state government. This report, along with the report on internal control over financial reporting and on compliance and other matters, will be published separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the auditor's report.

Profile of the Government

Mississippi is named for the Mississippi River, which forms its western boundary and empties into the Gulf of Mexico. The name translated from Native American folklore means "Father of Waters." Mississippi was organized as a territory in 1798 and was admitted as the 20th state to the Union on December 10, 1817. The State's constitution separates the legal powers of state government into three distinct branches - the legislative, the executive, and the judicial.

The financial statements present information on the financial position and operations of state government as a single comprehensive reporting entity. The State's various agencies, commissions, departments and boards that comprise the State's reporting entity are included in this report in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The State's reporting entity is also comprised of its discretely presented component units for which the State is financially accountable or the State believes is misleading to exclude from the entity due to the organization's nature and significance of its relationship with the State. The criteria used in defining the State's reporting entity are fully discussed in Note 1 to the financial statements.

The State provides a full range of services to enhance and protect the lives of its citizenry. These services include, among others, education; health and social services; public safety and justice; recreation and resource development and protection; business regulation; and highway construction and maintenance.

Mississippi state law requires both the Governor and the Legislative Budget Committee to submit an overall balanced budget at the beginning of each annual session for the ensuing fiscal year. The Legislature legally enacts an annual state budget through passage of specific departmental appropriation bills. The Governor has the power to approve or veto each line item appropriation; however, vetoes are subject to legislative override. For the majority of the appropriations, the legal level of budgetary control is at the agency level by activity or function as well as by major expenditure classification. Unexpended appropriations at June 30 are available for subsequent expenditure if they have been encumbered and are presented for payment during the succeeding two-month lapse period.

Factors Affecting Financial Condition

Mississippi's economy is feeling the effects of the national slump. Leading indicators have been sinking over the course of the year, and the forecast is for a low, but positive, growth rate of output in 2009. On the positive side, the downturn here is not expected to be as severe as in other parts of the country. Post-Katrina reconstruction continues to boost economic activity, along with several major investment projects. Among these projects are a \$1.3 billion auto plant (Toyota), a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), a \$950 million expansion at Keesler Air Force Base, and \$500 million expansions at both SeverCorr and Chevron. As a result, construction employment in the first eight months of 2008 was slightly higher than for the same period in 2007, in contrast with the rest of the nation, which suffered a 5.2% drop.

Gross state product rose 1.7% in 2007; employment was up 1.0%; and personal income grew a strong 6.1%, aided in part by grants to homeowners hurt by Hurricane Katrina. State revenue collections, which had increased dramatically after the hurricane, fell from double-digit growth rates in FY2006 and FY2007, to a modest 3.0% rate of increase in FY2008. The growth in revenues from oil and gas severance taxes accounted for a quarter of this increase. Revenues so far this fiscal year through October are up 0.9%.

The number of persons employed in the first three quarters of 2008 was a mere 0.2% higher than for the same period in 2007. The unemployment rate, which averaged 6.3% in 2007, has risen rapidly since May and stood at 7.4% in September. Employment growth is slowing, with the manufacturing sector hit hardest.

Job gains in the first three quarters of 2008 have been concentrated in service-providing industries. Health and education services, and government each added over 2,000 jobs, and professional and business activities added 1,100 employees. Wholesale trade added 500 workers; transportation and utilities, 600 workers; and mining and natural resources, 200 workers. Retail trade employment remained the same.

The only sectors registering decreases in employment were manufacturing, which lost 5,500 jobs, and financial activities, down by 300 jobs. In manufacturing, only ship and boat building showed strong growth, adding 1,000 employees. The furniture industry lost 1,800 employees.

Mississippi's housing market is faring better than that in many other areas. Home construction post-Katrina insulated the state from the national drop of 26% in housing starts in 2007, although housing starts here did fall 4% and building permits issued declined. The state's mortgage delinquency rate, as measured by past due payments, skyrocketed after the hurricane and remains high relative to the rest of the nation, but it is down sharply from its 2006 peak. Foreclosure rates have stayed relatively low; in the second quarter of 2008, the state ranked 23rd in the nation, with 2% of total loans in foreclosure. The average price of existing homes here fell only an estimated 1.5% in 2008, to \$111,234.

Coastal counties, which account for about 15% of the State's employment and population, continue to recover from the effects of Hurricane Katrina. Employment is back to pre-Katrina levels due to the strong growth of construction and an increase in government employment. However, recovery in several industries may be stalling as tourism and manufacturing decline nationally. As of August 2008, manufacturing and retail trade were at 95% of their pre-Katrina employment levels, while leisure and hospitality employment had slipped back to 83% of the August 2005 level. It is unlikely that these gaps will close before next fall.

Overall, major industries on the coast are largely back on track, however. Casino revenues returned to pre-storm levels last year and continued to climb through the first half of 2008, although more recently there has been some drop-off in revenues at both coastal and Mississippi River casinos. Several major projects are underway in the region. Homeowners, renters and small businesses have faced a difficult path to recovery, and many continue to struggle with the high costs of insurance and other obstacles to rebuilding and resettling. About \$8 billion of Katrina-related inflows that can potentially assist in reconstruction efforts have yet to be spent.

Under pressure from the national downturn and the international financial crisis, Mississippi's economy is expected to experience at least a brief recession. Given the greater momentum in the state going into the downturn, the recession here is not forecast to be as severe as that in the rest of the nation. The national economic recovery will be underway by mid-2009, if the financial rescue and fiscal stimulus packages do their jobs as expected. Under this scenario, gross state product is forecast to grow 1.2% in real terms in 2008, a weak 0.5% in 2009, and 2.3% in 2010 as the recovery picks up steam. Employment will drop 0.6% in 2009, as the state and the nation work their way out of recession in the first part of the year. By 2010, the upswing will bring employment growth of 0.8% to Mississippi, rising to 1.1% in 2011.

Personal income will follow a similar path, growing 3.6% in 2008, 2.7% in 2009, and 4.0% in 2010. New financial regulations will be in place and functioning by late 2009, further reassuring investors and unleashing pent-up demand. The national recovery will strengthen, the pace of activity in the State will pick up, and there will be a return to the State's long-run growth path.

Eighty percent of wage and salary employment in Mississippi is in service-providing industries, with the remaining 20% in the goods-producing industries of manufacturing, construction and natural resources/mining. Despite the dominance of services, goods-producing industries, and manufacturing in particular, are crucial to the State's economy. In the U.S. as a whole, manufacturing provides 10% of total jobs, but in Mississippi the figure is 15%. Manufacturing also sustains many of the State's service jobs in transportation, business services, finance and agriculture. Within manufacturing, which employs 165,000 workers, the percentage of employees in furniture and in wood products is more than twice the corresponding percentage for the U.S. These industries, along with food products, account for 37% of manufacturing employment, versus 18% for the U.S. as a whole. Transportation equipment (including both shipbuilding and automobile production), machinery manufacturing, electrical equipment, and fabricated metal products account for another 36% of manufacturing employment here. The largest employers in the service-providing sectors, each employing more than 100,000 persons, are: local government, retail trade, health care and social assistance, and accommodation and food services.

The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100 percent of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50 percent of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5 percent of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. In fiscal year 2008, the Account had the required \$40,000,000 balance. The entire 50 percent of unencumbered ending cash totaling \$3,084,000 was deposited into the Account.

If at the end of October, or any month thereafter, General Fund revenue collections for the fiscal year fall below 98 percent of the sine die estimate, the Department of Finance and Administration is required to balance the General Fund budget. One action that may be taken is to reduce allotted expenditure authority to general fund agencies by the amount necessary so that expenditures do not exceed the actual General Fund receipts for the fiscal year. In addition, the Working Cash Stabilization Reserve Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover such deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5 percent maximum is again attained.

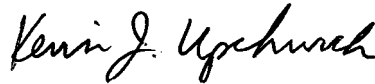
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the twenty-first consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was made possible by the dedicated services of the staff of the Bureau of Financial Reporting within the Department of Finance and Administration with the cooperation and support of the Office of the State Auditor and the various agency heads and employees who assisted and contributed to its preparation.

Respectfully yours,

A handwritten signature in black ink, reading "Kevin J. Upchurch". The signature is written in a cursive style with a large, stylized "K" and "U".

Kevin J. Upchurch

Mississippi

Officials of State Government

Executive Branch

Governor
Haley Barbour

Lieutenant Governor
Phil Bryant

Secretary of State
Delbert Hosemann

State Auditor
Stacey Pickering

State Treasurer
Tate Reeves

Attorney General
Jim Hood

Commissioner of Agriculture and Commerce
Lester Spell, Jr.

Commissioner of Insurance
Mike Chaney

Transportation Commissioners
Dick Hall
Wayne Brown
Bill Minor

Public Service Commissioners
Brandon Presley
Lynn Posey
Leonard Bentz

State Fiscal Officer
J. K. Stringer, Jr.

Legislative Branch

Speaker of the House of Representatives
William J. McCoy

Speaker Pro Tempore of the House of Representatives
J. P. Compretta

President Pro Tempore of the Senate
Billy Hewes

Secretary of Senate
Kevin J. Upchurch

Clerk of the House of Representatives
Don Richardson

Legislative Budget Office
Lee Lindell, Director

Joint Legislative Committee on Performance Evaluation and Expenditure Review
Max K. Arinder, Director

Judicial Branch

Supreme Court of Mississippi

Chief Justice
James W. Smith, Jr.

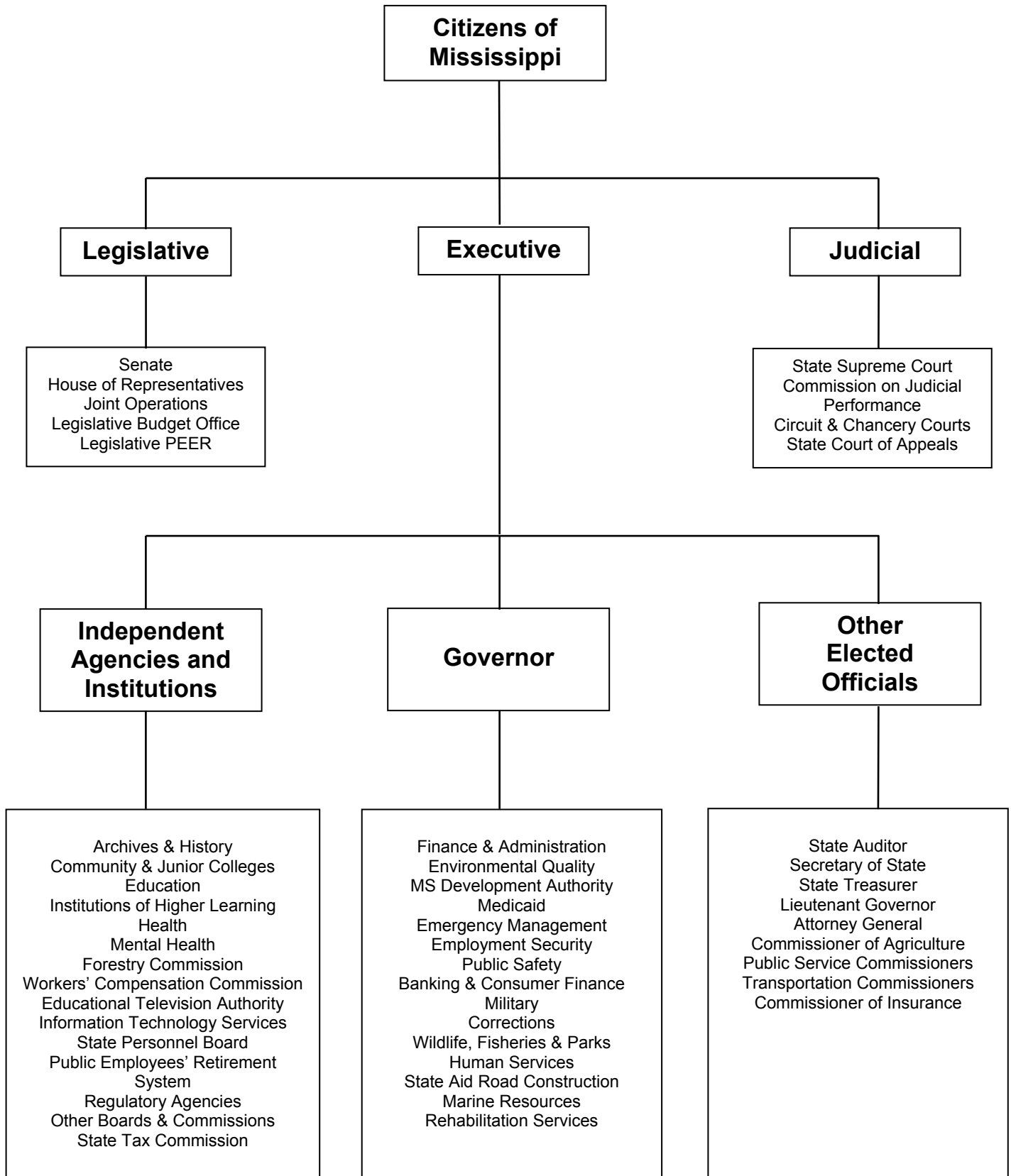
Presiding Justices
William L. Waller, Jr.
Oliver E. Diaz, Jr.

Justices
George C. Carlson, Jr.
James E. Graves, Jr.
Michael K. Randolph
Jess H. Dickinson
Ann H. Lamar
Charles D. Easley, Jr.

Clerk of the Supreme Court
Betty Sephton

Mississippi

Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of:

▪ Government-wide Financial Statements

• Governmental Activities

- the Health Care Trust Fund, the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 10% and 32%, respectively, of the assets and revenues of the Governmental Activities;

• Business-type Activities

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and AbilityWorks, Inc. within the Department of Rehabilitation Services which, in the aggregate, represent 43% and 23%, respectively, of the assets and revenues of the Business-type Activities;

• Component Units

- the Universities and the nonmajor component units.

▪ Fund Financial Statements

• Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, and selected funds at the Office of the Governor - Division of Medicaid and the Department of Corrections which represent 24% and 32%, respectively, of the assets and revenues of the General Fund;

- the Health Care Trust Fund which represents 97% and 99%, respectively, of the assets and revenues of the Health Care major governmental fund;
- Proprietary Funds
 - the Port Authority at Gulfport and the Mississippi Prepaid Affordable College Tuition Program which are considered major enterprise funds;
- Aggregate Remaining Funds
 - selected nonmajor governmental funds at the Department of Corrections, the Military Department, the Mississippi Emergency Management Agency, and the Department of Wildlife, Fisheries and Parks;
 - the State Agencies Self-Insured Workers' Compensation Trust Fund within the Internal Service Fund;
 - nonmajor enterprise funds for the Veterans' Home Purchase Board and AbilityWorks, Inc.;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 95% and 74%, respectively, of the assets and revenues of the Aggregate Remaining Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the above mentioned entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the University of Mississippi Foundation, the Mississippi State University Foundation, Inc., the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Tort Liability Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation and the University Hospitals and Clinics, a division of the University of Mississippi Medical Center, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.s. and Note 17, the State adopted the provisions of Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra – Entity Transfers of Assets and Future Revenues*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the state's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of Funding Progress for Pension Trust Funds and corresponding notes and the Schedule of Funding Progress – Other Postemployment Benefits included in this report are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information - combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - combining and individual fund financial statements and supporting schedules has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections listed in the accompanying table of contents have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
December 19, 2008

Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

Financial Highlights

Government-wide - The assets of the State exceeded its liabilities at the close of the fiscal year by \$12,546,233,000 (reported as "net assets"). Of this amount, \$288,571,000 was reported as "unrestricted net assets", which may be used to meet the government's ongoing obligations to citizens and creditors. Net assets of governmental activities increased by \$574,781,000 and net assets of business-type activities fell by \$16,625,000.

Fund Level - As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$3,936,692,000, which is an increase of \$132,944,000 from the previous year. This includes a \$166,748,000 increase in the General Fund's fund balance as the result of fewer transfers from the General Fund to nonmajor governmental funds.

Long-term Debt - During fiscal year 2008, the State issued bonds and notes, net of premiums, discounts, and deferred amount on refunding of \$957,482,000, bringing its outstanding net long-term bonds and notes to \$4,390,646,000. These bonds and notes were issued primarily for economic development, for capital improvements, and for correctional facility projects.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the State's basic financial statements, which include government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances. These statements consist of the statement of net assets and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents information on all of the State's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets". Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements for the primary government report two types of activities:

Governmental Activities - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.

Business-type Activities - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair, coliseum and stadium operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These categories use different accounting approaches and should be interpreted differently.

Mississippi

Governmental Funds - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds include the General Fund and the Health Care Fund, which are presented separately as major funds. The capital projects fund, permanent funds, and nonmajor special revenue funds are combined into a single column on the governmental fund financial statements, with individual fund data provided in the combining financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds - The State maintains two types of proprietary funds: enterprise and internal service. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds provide personnel, insurance, and information technology services to other state agencies, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The nine nonmajor enterprise funds and the three internal service funds are presented in detail in the combining financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Because these resources are not available to support the State's own programs, fiduciary funds are not reported in the government-wide financial statements. The State's fiduciary activities are presented in a statement of fiduciary net assets and a statement of changes in fiduciary net assets, with related combining financial statements. These funds, which include pension trust funds, private-purpose trust funds, and agency funds, are reported using the accrual basis of accounting.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

Mississippi

Government-wide Financial Analysis

Net Assets

The State's overall financial position improved over the past fiscal year. During fiscal year 2008, the State's total net assets increased by \$558,156,000 or 4.7 percent from the previous year. In comparison, net assets in the prior year increased by \$1,388,702,000 or 13.1 percent. The State is able to report positive balances in all three categories of net assets for both governmental and business-type activities.

The largest portion of net assets, 86.2 percent, consists of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets invested in capital assets, net of related debt, increased \$904,600,000 from the previous year. Governmental activities' increase of \$880,292,000 was driven by construction in progress additions related to roads, highways, bridges, and building projects. Most of the business-type activities' increase of \$24,308,000 was the result of the continued rebuilding of capital assets after Hurricane Katrina at the Port Authority at Gulfport. Restricted net assets, representing resources that are subject to externally imposed restrictions, comprise 11.5 percent of total net assets. The remaining balance, unrestricted net assets of \$288,571,000, may be used to meet the State's ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net assets may be used.

Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
Current and other assets	\$ 6,201,420	\$ 5,868,505	\$ 1,283,541	\$ 1,294,193	\$ 7,484,961	\$ 7,162,698
Capital assets	11,611,587	10,725,291	194,135	172,135	11,805,722	10,897,426
Total Assets	17,813,007	16,593,796	1,477,676	1,466,328	19,290,683	18,060,124
Noncurrent liabilities	3,978,263	3,705,391	304,805	279,694	4,283,068	3,985,085
Other liabilities	2,436,840	2,065,282	24,542	21,680	2,461,382	2,086,962
Total Liabilities	6,415,103	5,770,673	329,347	301,374	6,744,450	6,072,047
Net assets:						
Invested in capital assets,						
net of related debt	10,651,052	9,770,760	161,144	136,836	10,812,196	9,907,596
Restricted	667,456	477,321	778,010	784,367	1,445,466	1,261,688
Unrestricted	79,396	575,042	209,175	243,751	288,571	818,793
Total Net Assets	\$ 11,397,904	\$ 10,823,123	\$ 1,148,329	\$ 1,164,954	\$ 12,546,233	\$ 11,988,077

* As restated in Note 2 to the financial statements.

Mississippi

Changes in Net Assets

Operating grants and contributions provided \$6,472,892,000 and taxes provided \$6,263,283,000 which amount to 80.5 percent of the State's total revenues, up slightly when compared to 80.2 percent in the prior year. With regard to expenses, health and social services increased from \$5,311,270,000 or 35.0 percent to \$5,609,247,000 or 36.8 percent of the State's total outlay. In addition, spending on education (other than universities) was 27.3 percent, an increase from 26.1 percent in the prior year. Recreation and resource development was the only expense that decreased from the prior year. The change of \$716,125,000 was primarily due to the prior year disbursement of federal assistance to homeowners for Hurricane Katrina rebuilding efforts.

Changes in Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007 *	2008	2007 *	2008	2007 *
Revenues:						
Program Revenues:						
Charges for services	\$ 1,936,810	\$ 1,863,141	\$ 178,052	\$ 194,848	\$ 2,114,862	\$ 2,057,989
Operating grants and contributions	6,462,823	7,125,688	10,069	9,745	6,472,892	7,135,433
Capital grants and contributions	795,572	960,369	1,838	3,900	797,410	964,269
General Revenues:						
Taxes	6,263,283	6,166,386			6,263,283	6,166,386
Investment income	145,465	184,500	21,433	70,240	166,898	254,740
Total Revenues	15,603,953	16,300,084	211,392	278,733	15,815,345	16,578,817
Expenses:						
General government	1,995,778	1,803,339			1,995,778	1,803,339
Education	4,163,587	3,961,573			4,163,587	3,961,573
Health and social services	5,609,247	5,311,270			5,609,247	5,311,270
Law, justice and public safety	1,173,359	1,152,359			1,173,359	1,152,359
Recreation and resource development	1,216,521	1,932,646			1,216,521	1,932,646
Regulation of business and professions	36,318	33,192			36,318	33,192
Transportation	635,299	581,446			635,299	581,446
Interest on long-term debt	196,277	167,233			196,277	167,233
Unemployment compensation			143,013	143,348	143,013	143,348
Port Authority at Gulfport			12,614	10,349	12,614	10,349
Prepaid affordable college tuition			40,972	38,391	40,972	38,391
Other business-type			34,204	37,559	34,204	37,559
Total Expenses	15,026,386	14,943,058	230,803	229,647	15,257,189	15,172,705
Excess (deficiency) before Transfers	577,567	1,357,026	(19,411)	49,086	558,156	1,406,112
Transfers	(2,786)	(3,971)	2,786	3,971		
Change in Net Assets	574,781	1,353,055	(16,625)	53,057	558,156	1,406,112
Net Assets - Beginning, as restated	10,823,123	9,470,068	1,164,954	1,111,897	11,988,077	10,581,965
Net Assets - Ending	\$ 11,397,904	\$ 10,823,123	\$ 1,148,329	\$ 1,164,954	\$ 12,546,233	\$ 11,988,077

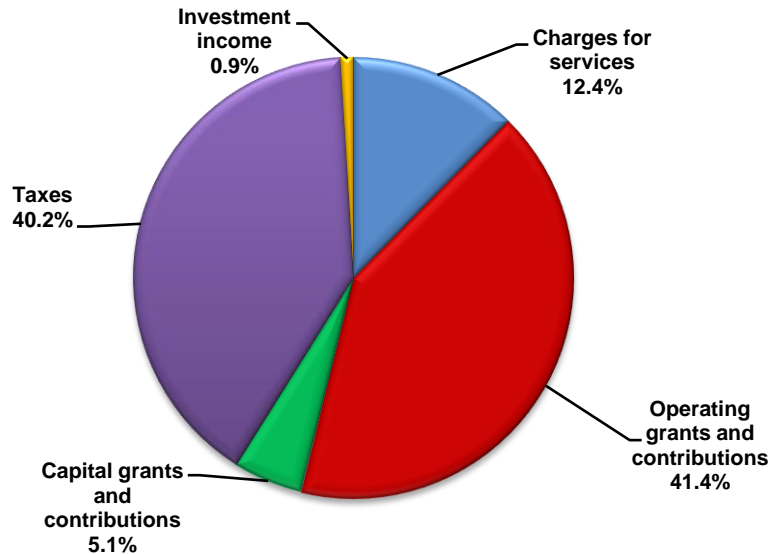
* As restated in Note 2 to the financial statements.

Mississippi

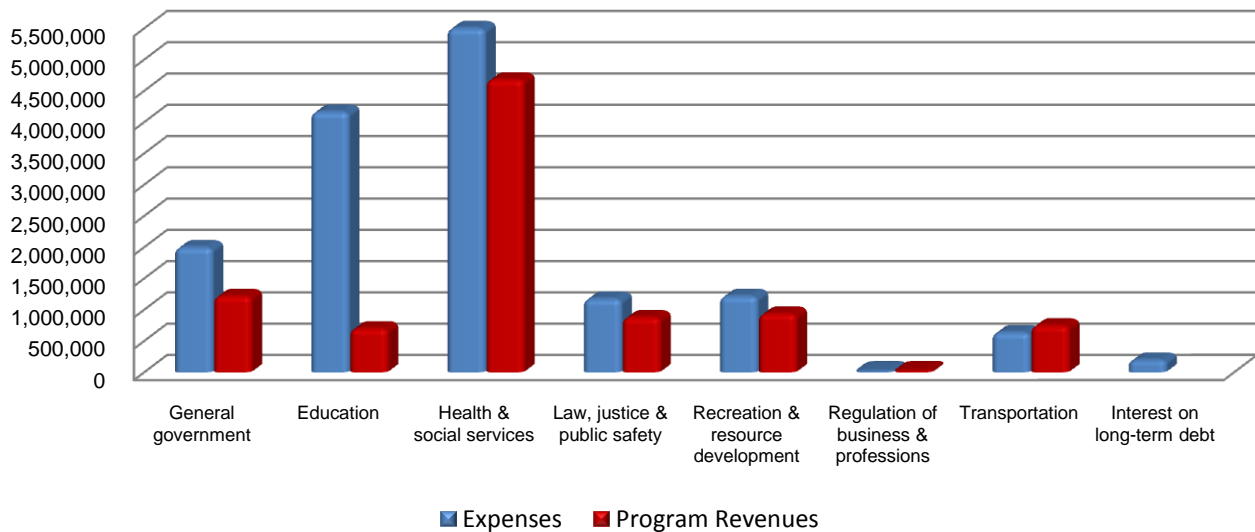
Governmental Activities

Governmental activities increased the State's net assets by \$574,781,000. This increase was substantially less than the \$1,353,055,000 increase of the prior year. Total expenses remained relatively unchanged. However, total revenues were \$696,131,000 less than the prior year, with operating grants and contributions falling by \$662,865,000. This drop is related to federal assistance to homeowners for Hurricane Katrina rebuilding efforts in the prior year. The related recreation and resource development expenses decreased by \$716,125,000. The legislature substantially increased funding by \$202,910,000 for the Mississippi Adequate Education Program, which provides school district funding for programs to meet the required level of accreditation. As a direct consequence, education expenses rose by \$202,014,000.

Governmental Activities - Revenues by Source



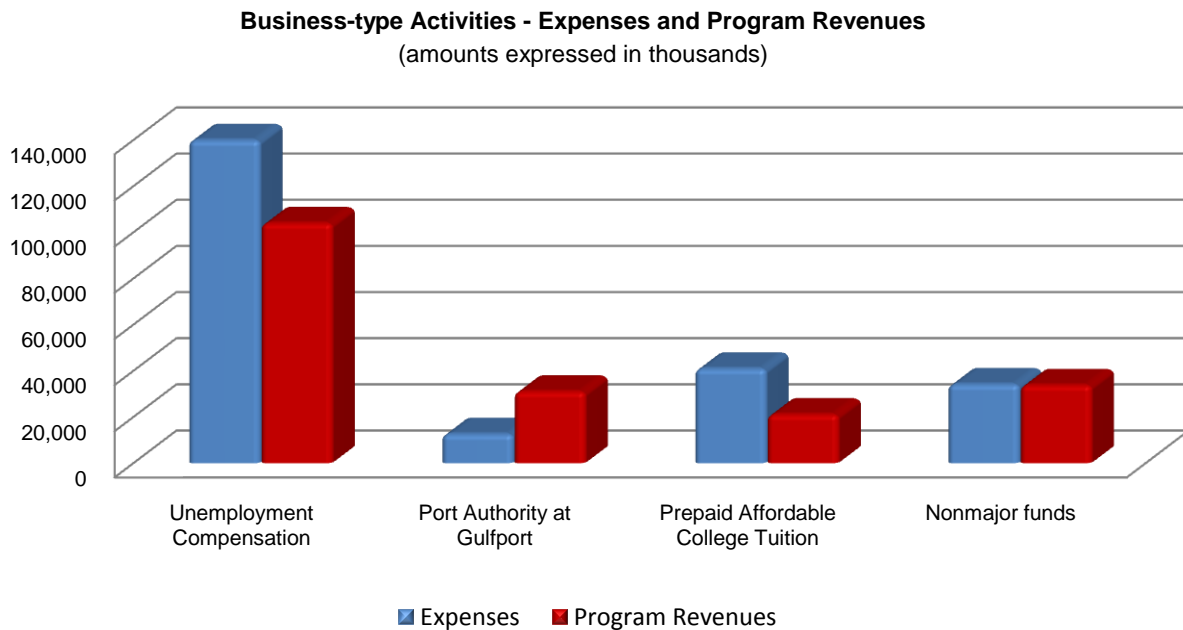
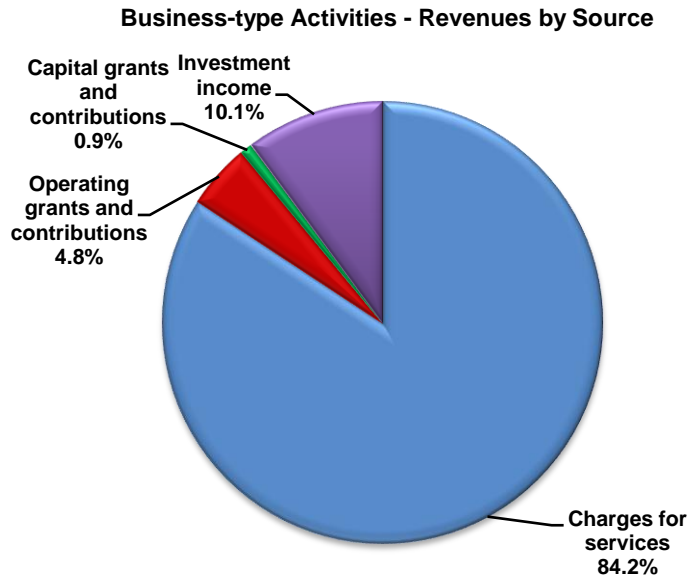
Governmental Activities - Expenses and Program Revenues
(amounts expressed in thousands)



Mississippi

Business-type Activities

Business-type activities decreased the State's net assets by \$16,625,000 as compared to an increase of \$53,057,000 in the previous year. The increase in the State's unemployment rate negatively impacted program revenues and expenses of the Unemployment Compensation fund resulting in a decrease of net assets by \$6,348,000. The Prepaid Affordable College Tuition fund experienced an investment loss of \$21,961,000 as the result of the underperformance of investments. On the other hand, the Port Authority at Gulfport had a favorable year as business has continued to improve with net revenue of \$18,418,000.



Mississippi

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The governmental funds reported combined fund balances of \$3,936,692,000 as of June 30, 2008, an increase of \$132,944,000 as compared to the prior year. Of this total amount, \$2,777,590,000 or 70.6 percent constituted unreserved fund balance. A portion of the unreserved balance, \$2,305,445,000, was not available for new spending because it was designated through internally imposed limitations for specific purposes such as debt service, road and highway construction, future capital projects, and health care.

The General Fund is the chief operating fund of the State. The General Fund increased \$166,748,000 from the prior year to an ending fund balance of \$2,656,334,000. Overall revenues and expenditures were relatively unchanged. Transportation expenditures decreased by \$211,711,000, signaling the completion of emergency repair projects in the aftermath of Hurricane Katrina. Related federal government revenues decreased by \$212,422,000. Other financing sources and uses increased by \$171,139,000, primarily related to a \$276,757,000 reduction in transfers out. Transfers out in fiscal year 2007 included a \$298,661,000 transfer from the General Fund to Emergency Management (a nonmajor governmental fund) in order to meet the requirement to match federal funds related to Hurricane Katrina. The law, justice and public safety function reported the largest percentage increase in expenditures at 17.1% with the commencement of correctional facilities construction.

The Health Care Fund reported a decrease in fund balance of \$81,179,000 from the previous fiscal year as a result of an \$83,726,000 decline in investment income. The change in the fair market value of investments was \$20,507,000 in the prior year and a negative \$41,912,000 in the current year, a \$62,419,000 downturn. Investment income received was \$21,307,000 less than received in the prior year. These declines reflect the tumultuous conditions in the market.

Proprietary Funds

The Unemployment Compensation Fund posted a decrease in net assets of \$6,348,000 for fiscal year 2008. The unemployment rate for the State rose resulting in an \$8,885,000 increase in claims and benefits payments while unemployment insurance premiums declined by \$4,675,000.

The Port Authority at Gulfport Fund reported an increase in net assets of \$23,607,000. Operating revenues increased \$5,529,000 over the prior year as business continues to improve after Hurricane Katrina. The fund received \$8,011,000 from insurance as Katrina claims are still being settled.

The Prepaid Affordable College Tuition Fund reported a decrease in net assets of \$41,812,000. This can be directly attributed to a \$51,784,000 decline in investment income over the prior year due in part to a \$28,501,000 drop in the fair market value of investments.

General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2008 General Fund revenues was 3.0 percent. This estimate was revised to a sine die estimate of 2.8 percent. Actual fiscal year 2008 General Fund revenue collections were 3.0 percent above the prior year, with component revenue growth of 0.9 percent in sales tax, 4.5 percent in individual income tax, and 3.3 percent in corporate income and franchise tax.

Actual fiscal year 2008 revenues were \$23,698,000 above estimated amounts. The largest revenue variances were a positive \$45,299,000 in individual income tax collections and a negative \$96,817,000 in sales tax collections. The final expenditure budget was \$75,162,000 over the original budget. Actual expenditures were under the final budget by \$6,133,000.

Mississippi

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to \$15,829,047,000, less accumulated depreciation of \$4,023,325,000, resulting in a net book value of \$11,805,722,000. This reflected a net increase for the current fiscal year of 8.3 percent for governmental activities and a 12.8 percent increase for business-type activities, compared to the prior fiscal year net increase of 9.1 percent and 13.4 percent, respectively. Depreciation expense for fiscal year 2008 totaled \$388,911,000 for governmental and business-type activities.

Major capital asset events during fiscal year 2008 included the following:

Construction in progress additions for governmental activities included \$859,448,000 related to roads, highways, and bridges; \$52,230,000 for Department of Corrections correctional facilities; \$47,576,000 related to Military Department buildings; and \$51,760,000 related to Department of Finance and Administration building projects, such as the NASA Shared Services Center, the Information Technology Services Data Center, and the Sillers Building Parking Facility.

Additions were made to governmental activities infrastructure in the amount of \$587,028,000 for completed roads, highways, and bridges. Pavement rehabilitation projects were completed in Lamar, Lauderdale, and Pike counties. Bridges were replaced in Calhoun, Jones, and Lauderdale counties. In addition, Four Lane Highway Program projects were finished in Clarke, Covington, Greene, Lawrence, Leake, Oktibbeha, Walthall, Webster, and Winston counties. Other projects were completed in Neshoba County related to the gaming industry, in Madison County related to Interstate 55, and in Jackson and Harrison counties for emergency relief projects. Urban street projects were completed in Desoto, Forrest, and Simpson counties.

Land improvements for governmental activities reflected a net increase of \$36,465,000. This included additions of \$15,778,000 for property donated to the Secretary of State's Office and construction projects of \$10,197,000 completed by the Military Department.

Machinery and equipment additions reported in governmental activities were \$208,233,000. Emergency Management's portable housing, an alternative to standard FEMA travel trailer accommodations, accounted for \$149,631,000 of this increase.

Capital assets, net of accumulated depreciation, for business-type activities increased by \$22,000,000. The Port Authority at Gulfport reported a net increase in capital assets of \$22,436,000 as it continued to rebuild its facilities destroyed by Hurricane Katrina. While adding \$26,105,000 to construction in progress during the year, the Port Authority at Gulfport also reported decreases to construction in progress totaling \$46,603,000. These completed projects were reflected in the net increases to land (\$27,122,000), buildings (\$10,913,000), and land improvements (\$5,533,000) for business-type activities.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 18 discusses the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

Capital Assets, Net of Depreciation

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 215,419	\$ 194,558	\$ 39,734	\$ 12,612	\$ 255,153	\$ 207,170
Buildings	1,164,341	1,105,587	65,320	54,407	1,229,661	1,159,994
Land improvements	90,133	53,668	20,583	15,050	110,716	68,718
Machinery and equipment	310,094	161,317	5,017	4,244	315,111	165,561
Infrastructure	5,196,213	4,916,573	36,720	39,181	5,232,933	4,955,754
Construction in progress	4,635,387	4,293,588	26,761	46,641	4,662,148	4,340,229
Total	<u>\$ 11,611,587</u>	<u>\$ 10,725,291</u>	<u>\$ 194,135</u>	<u>\$ 172,135</u>	<u>\$ 11,805,722</u>	<u>\$ 10,897,426</u>

Mississippi

Debt Administration

Outstanding general obligation debt for the State as of June 30, 2008 was \$3,484,137,000, net of premiums, discounts, and deferred amount on refunding. General Obligation Refunding (\$1,261,188,000), Capital Improvements (\$919,245,000), and Major Economic Impact (\$416,008,000) bonds comprise 74.5 percent of this outstanding debt. During fiscal year 2008, the State issued \$549,420,000 in general obligation bonds and notes which are reported in governmental activities. These bonds and notes were issued for capital improvements, for grants to local governments, and for economic development primarily related to the Toyota project. Within business-type activities, general obligation bonds decreased by \$3,020,000 as the Port Authority at Gulfport continued to extinguish its long-term debt. Notes of \$380,707,000 were issued during fiscal year 2008 for correctional facility projects (\$287,955,000), for highway construction (\$83,000,000), and for energy management (\$9,752,000).

Mississippi has a rating of "AA" from Standard & Poor's, a division of The McGraw Hill Companies, "AA" from Fitch IBCA Inc., and "Aa3" from Moody's Investors Service. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and its potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2008, the State had established a constitutional legal debt limit of \$12,009,366,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 14 to the financial statements.

Outstanding Long-term Debt Bonds and Notes (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds and notes	\$ 3,452,073	\$ 3,135,232	\$ 32,064	\$ 35,084	\$ 3,484,137	\$ 3,170,316
Limited obligation bonds	24,460	47,880			24,460	47,880
Notes payable	882,049	708,028			882,049	708,028
Total	<u>\$ 4,358,582</u>	<u>\$ 3,891,140</u>	<u>\$ 32,064</u>	<u>\$ 35,084</u>	<u>\$ 4,390,646</u>	<u>\$ 3,926,224</u>

Economic Factors and Next Year's Budget

The State's average unemployment rate increased from the calendar year 2007 average of 6.3 percent to an average of 6.7 percent for the twelve months ending September 2008. The national rates were 4.6 percent and 5.3 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2009, the State economy is expected to experience sluggish growth. The initial estimated overall fiscal year 2009 General Fund revenue growth rate was 3.1 percent, with component revenue growth projections of 3.2 percent in sales tax and 4.5 percent in individual income tax. The overall estimate was revised in October 2008 to 1.9 percent. The October component revenue growth projections were 2.4 percent in sales tax and 1.8 percent in individual income tax. At the end of October 2008, fiscal year 2009 General Fund collections exceeded the estimate at 0.3 percent, with actual component revenue growth/decline of 4.8 percent, -0.4 percent, -22.1 percent, and -13.0 percent in sales tax, individual income tax, corporate income and franchise tax, and gaming fees, respectively.

In accordance with the State's statutory balanced budget requirement, the State Fiscal Officer determined at the end of October that sufficient funds would not be available within the period for which the fiscal year 2009 budget is drawn and instructed selected state agencies, institutions and commissions to reduce allocations of general funds and state-source special funds in the amount of \$41,970,000 in order to keep expenditures within the sum of actual General Fund receipts. Further adjustments may be necessary if General Fund collections continue to fall below the revenue estimate.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State of Mississippi's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Department of Finance and Administration, Bureau of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

Mississippi

Basic Financial Statements

Mississippi

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,926,777	\$ 14,543	\$ 2,941,320	\$ 18,177
Cash and cash equivalents	540,714	779,908	1,320,622	343,432
Investments	33,512	69,684	103,196	148,330
Receivables, net	747,010	47,284	794,294	232,067
Restricted assets:				
Cash and cash equivalents		2	2	
Due from other governments, net	734,952	14,501	749,453	4,394
Internal balances	3,351	(3,351)		
Due from component units	547	161	708	
Due from primary government				20,554
Inventories	39,792	472	40,264	21,311
Prepaid items	214	89	303	8,196
Loans and notes receivable, net	20,694	5,065	25,759	24,912
Deferred charges	1,293		1,293	
Other assets				79,837
Total Current Assets	5,048,856	928,358	5,977,214	901,210
Noncurrent assets:				
Investments	391,971	195,705	587,676	273,408
Receivables, net	67,404		67,404	
Due from other governments, net	496,368		496,368	
Loans and notes receivable, net	181,228	159,008	340,236	143,062
Internal loans	268	(268)		
Deferred charges	15,325		15,325	
Restricted assets:				
Equity in internal investment pool		738	738	
Cash and cash equivalents				121,149
Investments				730,043
Capital assets:				
Land and construction in progress	4,850,806	66,495	4,917,301	484,587
Other capital assets, net	6,760,781	127,640	6,888,421	2,006,673
Other assets				10,579
Total Noncurrent Assets	12,764,151	549,318	13,313,469	3,769,501
Total Assets	\$ 17,813,007	\$ 1,477,676	\$ 19,290,683	\$ 4,670,711

(Continued on Next Page)

Mississippi

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities:				
Warrants payable	\$ 152,488	\$ 612	\$ 153,100	\$ 1,500
Accounts payable and other liabilities	870,391	11,235	881,626	150,861
Contracts payable	121,434		121,434	
Retainage payable		958	958	
Income tax refunds payable	197,000		197,000	
Due to other governments	279,067	3,538	282,605	
Due to component units	20,543	11	20,554	
Due to primary government				708
Claims and benefits payable	143,883	2,809	146,692	
Deposits		1,472	1,472	893
Unearned revenues	102,907	468	103,375	54,647
Bonds and notes payable, net	543,873	3,178	547,051	23,400
Certificates of participation	145		145	
Lease obligations payable	5,109	261	5,370	10,066
Other liabilities				57,547
Total Current Liabilities	2,436,840	24,542	2,461,382	299,622
Noncurrent liabilities:				
Due to other governments		8,991	8,991	
Claims and benefits payable		265,711	265,711	
Deposits				2,355
Other postemployment benefits payable	43,627		43,627	
Bonds and notes payable, net	3,814,709	28,886	3,843,595	545,129
Certificates of participation	2,045		2,045	
Lease obligations payable	7,446	665	8,111	24,619
Liabilities payable from restricted assets:				
Deposits		2	2	
Other liabilities	110,436	550	110,986	202,966
Total Noncurrent Liabilities	3,978,263	304,805	4,283,068	775,069
Total Liabilities	6,415,103	329,347	6,744,450	1,074,691
Net Assets				
Invested in capital assets, net of related debt	10,651,052	161,144	10,812,196	1,895,847
Restricted for:				
Capital projects	377,683		377,683	
Debt service	214,647		214,647	
Other purposes	22,114	738	22,852	576,766
Permanent trusts:				
Expendable	3,884		3,884	
Nonexpendable	49,128		49,128	495,010
Unemployment compensation benefits		777,272	777,272	
Unrestricted	79,396	209,175	288,571	628,397
Total Net Assets	\$ 11,397,904	\$ 1,148,329	\$ 12,546,233	\$ 3,596,020

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,995,778	\$ 1,135,546	\$ 24,366	\$ 58,321
Education	4,163,587	27,838	670,075	1,230
Health and social services	5,609,247	507,876	4,172,034	286
Law, justice and public safety	1,173,359	100,206	739,085	37,842
Recreation and resource development	1,216,521	85,610	848,195	984
Regulation of business and professions	36,318	39,491	478	
Transportation	635,299	40,243	8,590	696,909
Interest on long-term debt	196,277			
Total Governmental Activities	15,026,386	1,936,810	6,462,823	795,572
Business-type activities:				
Unemployment compensation	143,013	100,840	3,149	
Port Authority at Gulfport	12,614	22,569	6,920	1,543
Prepaid affordable college tuition	40,972	21,121		
Other business-type	34,204	33,522		295
Total Business-type Activities	230,803	178,052	10,069	1,838
Total Primary Government	\$ 15,257,189	\$ 2,114,862	\$ 6,472,892	\$ 797,410
Component units:				
Universities	\$ 2,486,357	\$ 1,067,396	\$ 521,900	\$ 40,467
Nonmajor	35,835	31,066	37,701	362
Total Component Units	\$ 2,522,192	\$ 1,098,462	\$ 559,601	\$ 40,829

General revenues:

Taxes:

Sales and use

Gasoline and other motor fuel

Individual income

Corporate income and franchise

Insurance

Other

Investment income

Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions
and Transfers

Change in Net Assets

Net Assets - Beginning, as restated

Net Assets - Ending

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (777,545)	\$	\$ (777,545)	
(3,464,444)		(3,464,444)	
(929,051)		(929,051)	
(296,226)		(296,226)	
(281,732)		(281,732)	
3,651		3,651	
110,443		110,443	
(196,277)		(196,277)	
(5,831,181)		(5,831,181)	
	(39,024)	(39,024)	
	18,418	18,418	
	(19,851)	(19,851)	
	(387)	(387)	
	(40,844)	(40,844)	
(5,831,181)	(40,844)	(5,872,025)	
			\$ (856,594)
			33,294
			(823,300)
3,166,130		3,166,130	
438,676		438,676	
1,503,869		1,503,869	
500,996		500,996	
194,129		194,129	
459,483		459,483	
145,465	21,433	166,898	4,288
			131,855
			859,201
			16,418
(2,786)	2,786		
6,405,962	24,219	6,430,181	1,011,762
574,781	(16,625)	558,156	188,462
10,823,123	1,164,954	11,988,077	3,407,558
\$ 11,397,904	\$ 1,148,329	\$ 12,546,233	\$ 3,596,020

Mississippi

Governmental Funds

Balance Sheet

June 30, 2008 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Assets				
Equity in internal investment pool	\$ 1,964,345	\$ 31,903	\$ 688,446	\$ 2,684,694
Cash and cash equivalents	442,734	9,897	25,840	478,471
Investments	32,382	234,431	129,157	395,970
Receivables, net	800,721	40,836	10,440	851,997
Due from other governments, net	1,099,834		131,463	1,231,297
Due from other funds	31,056		23,239	54,295
Due from component units	485			485
Inventories	37,948		1,844	39,792
Prepaid items	51		163	214
Loans receivable, net	199,081		2,841	201,922
Loans to other funds	270	240,000	3,089	243,359
Total Assets	\$ 4,608,907	\$ 557,067	\$ 1,016,522	\$ 6,182,496
Liabilities and Fund Balances				
Liabilities:				
Warrants payable	\$ 98,548	\$ 75	\$ 52,130	\$ 150,753
Accounts payable and accruals	762,607	8,235	90,883	861,725
Contracts payable	99,269		22,165	121,434
Income tax refunds payable	197,000			197,000
Due to other governments	258,094	71	20,902	279,067
Due to other funds	21,510	3,806	28,783	54,099
Due to component units	19,762		773	20,535
Claims payable	4,119			4,119
Deferred revenues	160,668	38,082		198,750
Unearned revenues	72,382		26,989	99,371
Loans from other funds	258,614			258,614
Other liabilities			337	337
Total Liabilities	1,952,573	50,269	242,962	2,245,804
Fund balances:				
Reserved for:				
Ayers Endowment Trust	15,000			15,000
Distribution to local governments	32,419			32,419
Education and vocational training			41,635	41,635
Ellisville State School			2,025	2,025
Encumbrances	78,672	387	20,505	99,564
Inventories	37,948		1,844	39,792
Loans to other funds	270	240,000	3,089	243,359
Long-term portion of due from other governments	490,202		6,166	496,368
Long-term portion of loans receivable	179,335		1,893	181,228
Prepaid items	51		163	214
Scholarships and books	25			25
Wildlife conservation			7,473	7,473
Unreserved - designated, reported in:				
General fund	1,497,381			1,497,381
Special revenue funds		266,411	158,428	424,839
Capital project funds			383,225	383,225
Unreserved - undesignated, reported in:				
General fund	325,031			325,031
Special revenue funds			143,252	143,252
Permanent funds			3,862	3,862
Total Fund Balances	2,656,334	506,798	773,560	3,936,692
Total Liabilities and Fund Balances	\$ 4,608,907	\$ 557,067	\$ 1,016,522	\$ 6,182,496

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

Total fund balances for governmental funds \$ 3,936,692

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds:

Land	\$ 215,419	
Buildings	1,549,516	
Land improvements	151,582	
Machinery and equipment	643,819	
Infrastructure	8,343,701	
Construction in progress	4,635,387	
Accumulated depreciation	<u>(3,933,089)</u>	11,606,335

Some of the State's revenues will be collected after year-end but are not
available soon enough to pay for the current period's expenditures and
therefore are deferred in the funds. 198,750

Long-term liabilities and related accrued interest are not due and payable
in the current period and therefore are not reported in the funds:

General obligation bonds and notes	(3,408,791)	
Limited obligation bonds	(24,460)	
Capital lease obligations	(12,492)	
Accrued compensated absences	(115,491)	
Notes payable	(862,771)	
Certificates of participation	(2,190)	
Unamortized charges	81,996	
Unamortized discounts	42	
Unamortized premiums	(127,979)	
Claims payable	(1,688)	
Other postemployment benefits payable	(43,627)	
Accrued interest payable	<u>(31,137)</u>	(4,548,588)

Internal service funds are used by management to charge the costs of
certain activities, such as insurance and telecommunications, to individual
funds. The assets and liabilities of the internal service funds are included
in governmental activities in the statement of net assets.

204,715

Net assets of governmental activities \$ 11,397,904

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General	Health Care	Nonmajor Funds	Totals
Revenues				
Taxes:				
Sales and use	\$ 3,146,711	\$	\$	\$ 3,146,711
Gasoline and other motor fuel	429,010		8,800	437,810
Individual income	1,523,231			1,523,231
Corporate income and franchise	503,165			503,165
Insurance	194,129			194,129
Other	453,754		5,729	459,483
Licenses, fees and permits	439,073		108,771	547,844
Federal government	5,557,130		1,640,385	7,197,515
Investment income (loss)	148,527	(37,339)	21,378	132,566
Charges for sales and services	300,858		27,016	327,874
Rentals	20,590		3,763	24,353
Court assessments and settlements	15,294	124,509		139,803
Other	294,664	955	49,974	345,593
Total Revenues	13,026,136	88,125	1,865,816	14,980,077
Expenditures				
Current:				
General government	1,430,623			1,430,623
Education	4,068,537		86,643	4,155,180
Health and social services	5,248,780	148,043	205,170	5,601,993
Law, justice and public safety	660,529		724,553	1,385,082
Recreation and resources development	361,387		842,414	1,203,801
Regulation of business and professions			35,841	35,841
Transportation	1,178,966			1,178,966
Debt service:				
Principal	293,738		1,322	295,060
Interest and other fiscal charges	209,684		627	210,311
Capital Outlay			110,620	110,620
Total Expenditures	13,452,244	148,043	2,007,190	15,607,477
Excess of Revenues under Expenditures	(426,108)	(59,918)	(141,374)	(627,400)
Other Financing Sources (Uses)				
Bonds and notes issued	398,979		322,193	721,172
Capital leases issued	574		150	724
Discounts on notes issued	(390)			(390)
Insurance recovery	364		3,510	3,874
Payments to refunded note escrow agent	(191,894)			(191,894)
Premiums on bonds, notes and refunding notes issued	2,139		17,474	19,613
Refunding notes issued	208,955			208,955
Transfers in	280,778	12	107,203	387,993
Transfers out	(106,649)	(21,273)	(261,781)	(389,703)
Net Other Financing Sources (Uses)	592,856	(21,261)	188,749	760,344
Net Change in Fund Balances	166,748	(81,179)	47,375	132,944
Fund Balances - Beginning, as restated	2,489,586	587,977	726,185	3,803,748
Fund Balances - Ending	\$ 2,656,334	\$ 506,798	\$ 773,560	\$ 3,936,692

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 132,944

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,215,678	
Depreciation expense	(380,989)	834,689

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 70,052

Net change in revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 4,791

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (8,890)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Premiums on bonds, notes and refunding notes issued	(19,613)	
Bonds and notes issued	(721,172)	
Refunding notes issued	(208,955)	
Capital leases issued	(724)	
Payments of debt principal	295,060	
Payments to refunded note escrow agent	191,894	
Discounts on notes issued	390	
Accrued interest payable	(5,257)	
Deferred issuance costs	6,284	(462,093)

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Donations of equipment	59,898	
Change in claims payable	(1,454)	
Change in compensated absences	(8,927)	
Change in other postemployment benefits payable	(43,627)	
Amortization of deferred charges and premiums	(2,602)	3,288

Change in net assets of governmental activities \$ 574,781

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Assets			
Current assets:			
Equity in internal investment pool	\$	\$	\$ 594
Cash and cash equivalents	752,313	2,186	14,857
Investments		69,684	
Receivables, net:			
Accounts	5,101	601	5,135
Assessments	27,154		
Insurance		4,125	
Interest and dividends		642	650
Restricted assets:			
Cash and cash equivalents		2	
Due from other governments	1,423	12,975	
Due from other funds	272		
Due from component units	156		
Inventories			
Prepaid items		50	
Loans and notes receivable			
Total Current Assets	786,419	90,265	21,236
Noncurrent assets:			
Investments			195,705
Loans and notes receivable			
Loans to other funds			
Restricted assets:			
Equity in internal investment pool		738	
Capital assets, net		134,608	
Total Noncurrent Assets		135,346	195,705
Total Assets	\$ 786,419	\$ 225,611	\$ 216,941

Enterprise Funds

				Governmental Activities - Internal Service Funds	
Nonmajor Funds		Totals			
\$	13,949	\$	14,543	\$	242,083
	10,552		779,908		62,243
			69,684		
	3,280		14,117		51
			27,154		
			4,125		
	596		1,888		428
			2		
	103		14,501		23
	1,657		1,929		3,768
	5		161		62
	472		472		
	39		89		
	5,065		5,065		
	35,718		933,638		308,658
			195,705		29,513
	159,008		159,008		
	2		2		14,162
			738		
	59,527		194,135		5,252
	218,537		549,588		48,927
\$	254,255	\$	1,483,226	\$	357,585

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security Unemployment Compensation	Port Authority at Gulfport	State Treasurer Prepaid Affordable College Tuition
Liabilities			
Current liabilities:			
Warrants payable	\$	\$	\$ 243
Accounts payable and other liabilities	108	1,897	6,321
Retainage payable		958	
Due to other governments	3,439		
Due to other funds	2,772		1
Due to component units			
Claims and benefits payable	2,809		
Deposits			
Bonds and notes payable		3,178	
Unearned revenues	19	94	
Lease obligations payable			
Total Current Liabilities	9,147	6,127	6,565
Noncurrent liabilities:			
Due to other governments			
Loans from other funds			
Claims and benefits payable			265,711
Bonds and notes payable		28,886	
Lease obligations payable			
Liabilities payable from restricted assets:			
Deposits		2	
Other liabilities		146	8
Total Noncurrent Liabilities		29,034	265,719
Total Liabilities	9,147	35,161	272,284
Net Assets			
Invested in capital assets, net of related debt		102,544	
Restricted for other purposes		738	
Restricted for unemployment compensation benefits	777,272		
Unrestricted (deficit)		87,168	(55,343)
Total Net Assets	\$ 777,272	\$ 190,450	\$ (55,343)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

				Governmental Activities - Internal Service Funds
Nonmajor Funds	Totals			
\$ 369	\$ 612	\$	1,735	
2,909	11,235		7,649	
	958			
99	3,538			
2,507	5,280		593	
11	11		8	
	2,809		138,076	
1,472	1,472			
	3,178			
355	468		3,536	
261	261		20	
7,983	29,822		151,617	
8,991	8,991			
270	270			
	265,711			
	28,886			
665	665		43	
	2			
396	550		1,210	
10,322	305,075		1,253	
18,305	334,897		152,870	
58,600	161,144		5,121	
	738			
	777,272			
177,350	209,175		199,594	
\$ 235,950	\$ 1,148,329	\$	204,715	

Mississippi

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Operating Revenues			
Charges for sales and services/premiums	\$	\$ 13,566	\$
Assessments	100,243		
Investment income			
Federal agencies	181		
Rentals			
Fees			551
Tuition receipts			20,569
Other	597		1
Total Operating Revenues	101,021	13,566	21,121
Operating Expenses			
Cost of sales and services			
General and administrative		1,923	201
Contractual services		5,162	982
Commodities		281	31
Depreciation		3,741	
Claims and benefits	143,013		39,758
Other			
Total Operating Expenses	143,013	11,107	40,972
Operating Income (Loss)	(41,992)	2,459	(19,851)
Nonoperating Revenues			
Federal grant	2,968	6,920	
Revenue from counties		992	
Insurance recovery		8,011	
Gain on disposal of capital assets			
Investment income (loss)	39,334	3,611	(21,961)
Total Nonoperating Revenues	42,302	19,534	(21,961)
Nonoperating Expenses			
Loss on disposal of capital assets		7	
Interest		1,500	
Total Nonoperating Expenses		1,507	
Income (Loss) before Capital Contributions and Transfers	310	20,486	(41,812)
Capital Contributions		1,543	
Transfers In		1,578	
Transfers Out	(6,658)		
Change in Net Assets	(6,348)	23,607	(41,812)
Total Net Assets - Beginning, as restated	783,620	166,843	(13,531)
Total Net Assets - Ending	\$ 777,272	\$ 190,450	\$ (55,343)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$ 21,489	\$ 35,055	\$ 770,316	
	100,243		
8,336	8,336		
	181		
2,051	2,051		
54	605		
	20,569		
1,576	2,174	17	
33,506	169,214	770,333	
9,863	9,863		
11,703	13,827	15,685	
8,298	14,442	68,687	
2,083	2,395	708	
2,207	5,948	1,974	
	182,771	625,343	
35	35		
34,189	229,281	712,397	
(683)	(60,067)	57,936	
	9,888		
	992		
16	8,027		
74	74		
449	21,433	12,899	
539	40,414	12,899	
67	74	267	
22	1,522	5	
89	1,596	272	
(233)	(21,249)	70,563	
295	1,838	565	
9,301	10,879	553	
(1,435)	(8,093)	(1,629)	
7,928	(16,625)	70,052	
228,022	1,164,954	134,663	
\$ 235,950	\$ 1,148,329	\$ 204,715	

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation		Prepaid Affordable College Tuition
Cash Flows from Operating Activities			
Cash receipts from federal agencies	\$ 181	\$	
Cash receipts/premiums from interfund services provided			
Cash receipts/premiums from customers		13,069	21,120
Cash receipts from assessments	100,416		
Cash payments to suppliers for goods and services		(8,837)	(949)
Cash payments to employees for services		(1,914)	(186)
Cash payments for claims and benefits	(156,959)		(11,880)
Other operating cash receipts			1
Principal and interest received on program loans			
Issuance of program loans			
Net Cash Provided by (Used for) Operating Activities	(56,362)	2,318	8,106
Cash Flows from Noncapital Financing Activities			
Transfers in		1,578	
Transfers out	(6,658)	(7)	
Principal paid on notes			
Interest paid on notes			
Federal grants received	2,972	573	
Revenues from counties		993	
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,686)	3,137	
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets		(26,185)	
Capital grants received		1,543	
Proceeds from sales of capital assets			
Proceeds from capital lease			
Principal paid on bonds and capital assets contracts		(3,020)	
Interest paid on bonds and capital assets contracts		(1,535)	
Proceeds from insurance recovery		8,887	
Net Cash Used for Capital and Related Financing Activities		(20,310)	
Cash Flows From Investing Activities			
Proceeds from sales of investments		100,694	72,474
Purchases of investments		(95,057)	(89,610)
Investment income	39,334	3,936	7,486
Net Cash Provided by (Used for) Investing Activities	39,334	9,573	(9,650)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,714)	(5,282)	(1,544)
Cash and Cash Equivalents - Beginning, as restated	773,027	8,208	16,995
Cash and Cash Equivalents - Ending	\$ 752,313	\$ 2,926	\$ 15,451

Enterprise Funds

		Governmental Activities - Internal Service Funds	
Nonmajor Funds	Totals		
\$	\$	181	\$
			213,055
23,077	57,266		562,636
	100,416		
(18,680)	(28,466)	(67,292)	
(11,666)	(13,766)	(15,443)	
	(168,839)	(613,311)	
1,323	1,324	7	
22,637	22,637		
(22,717)	(22,717)		
(6,026)	(51,964)	79,652	
9,402	10,980	557	
(1,435)	(8,100)	(1,629)	
		(60)	
		(1)	
	3,545		
	993		
7,967	7,418	(1,133)	
(1,570)	(27,755)	(2,281)	
	1,543		
102	102		
817	817		
(365)	(3,385)	(19)	
(22)	(1,557)	(4)	
16	8,903		
(1,022)	(21,332)	(2,304)	
	173,168	3,134	
	(184,667)	(3,091)	
456	51,212	12,949	
456	39,713	12,992	
1,375	(26,165)	89,207	
23,126	821,356	215,119	
\$	\$	\$	\$
24,501	795,191	304,326	

(Continued on Next Page)

Mississippi

Proprietary Funds

Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Business-type Activities -		
	Department of Employment Security	Port Authority at Gulfport	State Treasurer
	Unemployment Compensation	Prepaid Affordable College Tuition	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (41,992)	\$ 2,459	\$ (19,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation		3,741	
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable, net	(98)	65	
Assessments receivable	319		
Interest receivable			
Due from other governments	(765)	(113)	
Due from other funds	276		
Due from component units	(156)		
Inventories			
Prepaid items		(26)	
Loans and notes receivable			
Increase (decrease) in liabilities:			
Warrants payable			10
Accounts payable and other liabilities	21	(3,366)	174
Due to other governments	(593)		
Due to other funds	(13,545)	7	(1)
Due to component units			
Claims and benefits payable	171		27,774
Unearned revenues		(449)	
Total adjustments	(14,370)	(141)	27,957
Net Cash Provided by (Used for) Operating Activities	\$ (56,362)	\$ 2,318	\$ 8,106
Noncash Capital and Related Financing and Investing Activities			
Capital contributions			
Gain (loss) on disposal of capital assets		(7)	
Change in market value of investments		103	(28,501)

The accompanying notes to the financial statements are an integral part of this statement.

Enterprise Funds

Nonmajor Funds	Totals	Governmental Activities - Internal Service Funds
\$ (683)	\$ (60,067)	\$ 57,936
2,207	5,948	1,974
(226)	(259)	(20)
	319	
(2)	(2)	
(4)	(882)	5
(459)	(183)	3,296
(4)	(160)	64
223	223	
185	159	
(8,280)	(8,280)	
(27)	(17)	796
581	(2,590)	1,878
16	(577)	(20)
510	(13,029)	(573)
(6)	(6)	5
	27,945	12,305
(57)	(506)	2,006
(5,343)	8,103	21,716
\$ (6,026)	\$ (51,964)	\$ 79,652

295	295	565
7		(267)
	(28,398)	791

Mississippi

Fiduciary Funds

Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds	Agency Funds
Assets			
Equity in internal investment pool	\$ 868	\$ 142	\$ 5,437
Cash and cash equivalents	252,953	774	12,421
Investments, at fair value:			
Short-term securities	314,044	4,415	
Long-term debt securities	4,586,030	22,472	
Equity securities	14,203,720	46,193	
Real estate investments	905,080	4,621	
Asset allocation fund	49,797		
Fixed rate and variable	428,577		
Life insurance contracts	425	8,386	
Securities lending:			
Short-term securities	1,746,771		
Long-term debt securities	3,767,727		
Receivables, net:			
Employer contributions	48,522		
Employee contributions	33,808		
Investment proceeds	633,550		
Interest and dividends	91,653		
Other	990	41	416
Due from other funds	1		
Loans to other funds			1,361
Commodity inventory			1,468
Capital assets, net	16,310		
Total Assets	27,080,826	87,044	\$ 21,103
Liabilities			
Warrants payable	360	1	\$ 578
Accounts payable and accruals	732,247	103	953
Due to other governments			1,210
Due to other funds	21		
Amounts held in custody for others	1,138		18,362
Obligations under securities lending	5,551,279		
Total Liabilities	6,285,045	104	\$ 21,103
Net Assets			
Held in trust for pension benefits and trust beneficiaries	\$ 20,795,781	\$ 86,940	

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Pension Trust Funds	Private-purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 708,791	\$
Plan participant	511,384	16,733
Total Contributions	1,220,175	16,733
Net Investment Income:		
Net decrease in fair value of investments	(2,427,837)	(7,897)
Interest and dividends	655,952	2,773
Securities lending:		
Income from securities lending	206,713	
Interest expense and trading costs from securities lending	(208,289)	
Managers' fees and trading costs	(36,631)	(542)
Net Investment Loss	(1,810,092)	(5,666)
Other Additions:		
Administrative fees	633	177
Other	3,160	
Total Other Additions	3,793	177
Total Additions (Reductions)	(586,124)	11,244
Deductions		
Benefits	1,504,224	5,415
Refunds to terminated employees	72,790	
Administrative expenses	11,711	146
Depreciation	455	
Total Deductions	1,589,180	5,561
Change in Net Assets	(2,175,304)	5,683
Net Assets - Beginning	22,971,085	81,257
Net Assets - Ending	\$ 20,795,781	\$ 86,940

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Component Units

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Universities	Nonmajor	Totals
Assets			
Current assets:			
Equity in internal investment pool	\$ 16,371	\$ 1,806	\$ 18,177
Cash and cash equivalents	325,612	17,820	343,432
Investments	122,653	25,677	148,330
Receivables, net	227,506	4,561	232,067
Due from other governments		4,394	4,394
Due from primary government	20,122	432	20,554
Inventories	20,822	489	21,311
Prepaid items	7,973	223	8,196
Notes receivable, net	24,912		24,912
Other assets	79,832	5	79,837
Total Current Assets	845,803	55,407	901,210
Noncurrent assets:			
Investments	273,408		273,408
Notes receivable, net	143,062		143,062
Restricted assets:			
Cash and cash equivalents	121,149		121,149
Investments	723,064	6,979	730,043
Capital assets, net	2,361,191	130,069	2,491,260
Other assets	10,579		10,579
Total Noncurrent Assets	3,632,453	137,048	3,769,501
Total Assets	4,478,256	192,455	4,670,711
Liabilities			
Current liabilities:			
Warrants payable	1,500		1,500
Accounts payable and other liabilities	146,643	4,218	150,861
Due to primary government	699	9	708
Deposits		893	893
Unearned revenues	51,584	3,063	54,647
Bonds and notes payable	22,311	1,089	23,400
Lease obligations payable	10,001	65	10,066
Other liabilities	57,547		57,547
Total Current Liabilities	290,285	9,337	299,622
Noncurrent liabilities:			
Deposits	2,355		2,355
Bonds and notes payable	543,982	1,147	545,129
Lease obligations payable	24,619		24,619
Other liabilities	202,618	348	202,966
Total Noncurrent Liabilities	773,574	1,495	775,069
Total Liabilities	1,063,859	10,832	1,074,691
Net Assets			
Invested in capital assets, net of related debt	1,768,078	127,769	1,895,847
Restricted for:			
Other purposes	564,354	12,412	576,766
Permanent endowments:			
Nonexpendable	495,010		495,010
Unrestricted	586,955	41,442	628,397
Total Net Assets	\$ 3,414,397	\$ 181,623	\$ 3,596,020

The accompanying notes to the financial statements are an integral part of this statement.

Mississippi

Component Units

Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Universities	Nonmajor	Total
Universities	\$ 2,486,357	\$ 1,067,396	\$ 521,900	\$ 40,467	\$ (856,594)		\$ (856,594)
Nonmajor	35,835	31,066	37,701	362		33,294	33,294
Total	\$ 2,522,192	\$ 1,098,462	\$ 559,601	\$ 40,829	(856,594)	33,294	(823,300)
General revenues:							
					2,006	2,282	4,288
					129,363	2,492	131,855
					859,201		859,201
					16,418		16,418
				Total General Revenues and Contributions	1,006,988	4,774	1,011,762
				Change in Net Assets	150,394	38,068	188,462
				Net Assets - Beginning, as restated	3,264,003	143,555	3,407,558
				Net Assets - Ending	\$ 3,414,397	\$ 181,623	\$ 3,596,020

The accompanying notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

June 30, 2008

Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

- A. Basis of Presentation** - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.
- B. Financial Reporting Entity** - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government. GASB provides additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a government unit.

As required by GAAP, these financial statements present the primary government and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with that of the primary government. The blended component unit is:

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2008, and their report, dated November 24, 2008, has been issued under separate cover. The comprehensive annual financial report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the State, are reported in a separate column of the government-wide financial statements. The State reports the following major discretely presented component unit:

Universities - The Board of Trustees of State Institutions of Higher Learning (IHL), appointed by the primary government, consists of Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi and the University of Mississippi. IHL is a body politic and corporate. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a public corporation which is an incorporated certified development company. The Mississippi Business Finance Corporation (MBFC) is a legally separate entity. The primary government is not able to impose its will on MBFC and there is not a financial benefit/burden relationship. However, MBFC and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi

Mississippi Coast Coliseum Commission - This is a political subdivision of the State. Expenditures are subject to legislative budget approvals. The commission is responsible for establishing, promoting, developing, locating, constructing, maintaining and operating a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

Mississippi Development Bank - This is a legally separate entity created and established as a body corporate and politic. The primary government is not able to impose its will on the bank and there is not a financial benefit/burden relationship. However, the bank and the State work together, providing support, one to the other, in developing the State economically. Therefore, it would be misleading not to include this entity as a discretely presented component unit.

Mississippi Prison Industries Corporation - This is a non-profit corporation created and established as a body politic and corporate, to lease and manage the prison industry programs of the Mississippi Correctional Industries. The primary government is not able to impose its will on the corporation and there is not a financial benefit/burden relationship. However, because Prison Industries utilizes state inmates for their workforce, leases state property at below market value and may receive state appropriations for funding, it would be misleading not to include the corporation as a discretely presented component unit.

Pat Harrison Waterway District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency is charged with the overall responsibility of providing flood relief along the Pascagoula River and its tributaries and to preserve and protect these waters for future generations, for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. The agency was created for the purpose of preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, for flood control, timber development, irrigation, navigation and pollution abatement.

Pearl River Valley Water Supply District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - This agency is a body politic and corporate. Expenditures are subject to legislative budget approval. This agency provides for a plan of conservation, recreation, water control and utilization, agricultural development and industrial and economic advancement within the district.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's accountability for these related organizations does not extend beyond making the appointments. These related organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. The primary government is further subdivided between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets is a statement of position, which presents all of the State's nonfiduciary assets and liabilities, with the difference reported as net assets. GAAP requires that net assets be subdivided into three categories:

Invested in capital assets, net of related debt - capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - assets that are not classified as invested in capital assets, net of related debt or restricted net assets.

Mississippi

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the financial statements of the proprietary funds and fiduciary funds (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The State's enterprise funds and business-type activities apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It accounts for transactions related to resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements.

The Health Care Fund accounts for monies received from the settlement of a lawsuit against tobacco companies by the State. The principal and income derived from investments are expended exclusively for health care purposes by various agencies.

The State reports the following major enterprise funds:

The Unemployment Compensation Fund accounts for the collection of unemployment insurance assessments from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

The Port Authority at Gulfport Fund accounts for operations of a public port providing facilities for foreign and domestic trade. Funding is provided by gross receipts from port operations, proceeds from bond issues and investment income. Expenses include port operation, construction and the payment of maturing bond interest and principal.

The Prepaid Affordable College Tuition Fund accounts for operations of a prepaid college tuition program. Funding is provided by the purchasers' specified actuarially determined payments and investment income.

Mississippi

Additionally, the State reports the following fund types:

Governmental Funds:

Special Revenue Funds account for transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specific purposes such as, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and operating transfers from the General Fund.

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

Proprietary Funds:

Enterprise Funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net assets available for plan benefits of the State's Public Employee Retirement Systems and the State's Deferred Compensation Plan.

Private-purpose Trust Funds account for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the state; for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals; and for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

- E. Equity in Internal Investment Pool and Cash and Cash Equivalents** - Equity in internal investment pool is cash equity with the Treasurer and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, U. S. Government securities and agencies, and repurchase agreements with a maturity date within 90 days of the date acquired, are included as cash and cash equivalents for the Universities, a major component unit.

- F. Investments** - Investments are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned.

Investments of the pension trust funds are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

Mississippi

The Public Employees' Retirement System is authorized to enter into securities lending transactions. These transactions represent loans of securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The assets and liabilities arising from securities lending transactions are reflected separately under the captions "Investments" and "Obligations under Securities Lending" in the Statement of Fiduciary Net Assets.

In accordance with authorized investment laws, the Public Employees' Retirement System also invests in various mortgage-backed securities such as collateralized mortgage obligations, interest-only strips and principal-only strips. These securities are reported at fair value and are included in the categories of U. S. Government securities and corporate obligations in the Note 4 disclosure.

- G. Receivables** - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." Receivables are reported net of allowances for uncollectible accounts where applicable.
- H. Interfund Activity** - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Operating transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

- I. Interfund Balances** - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been reclassified to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Assets.
- J. Inventories and Prepaid Items** - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

- K. Restricted Assets** - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.
- L. Capital Assets** - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value on the date of donation, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 8 to 50 years for infrastructure, based on the individual asset.

The State owns various collections, works of art and historical treasures that have not been capitalized because they are held for public exhibition, education or research, and are protected and preserved. The proceeds from sales of such items are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.

Mississippi

- M. Claims and Benefits Payable** - In the government-wide and proprietary fund financial statements, a liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

In the Prepaid Affordable College Tuition Fund (a major proprietary fund), claims and benefits payable represents the actuarially determined present value of future tuition obligations. In the Unemployment Compensation Fund (a major proprietary fund), claims and benefits payable represents amounts incurred prior to the reporting date.

- N. Accumulated Unpaid Personal Leave and Major Medical Leave** - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

The State's obligation for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported as "Other Liabilities" in the government-wide financial statements, as well as proprietary and fiduciary fund financial statements. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The State uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the State as employer is required to pay when the accrued compensated absences are liquidated.

Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.

- O. Deferred and Unearned Revenues** - In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental fund financial statements as well as deferred revenues, which are recognized when revenues are unavailable.

- P. Net Assets/Fund Balance** - The difference between fund assets and liabilities is "Net Assets" on government-wide, proprietary, and fiduciary funds financial statements and "Fund Balance" on governmental funds financial statements.

Fund balances of governmental funds that are legally restricted to a specific future use or that are not available for appropriation or expenditure are reported as reservations of fund balances. Examples include reserves for encumbrances and long-term portion of due from other governments. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund.

Designations of unreserved fund balances of governmental funds are established to reflect tentative plans for future utilization of current financial resources. These balances are not available for appropriation by the State Legislature unless enabling legislation is approved. Examples include debt service, special treasury accounts and Working Cash Stabilization Reserve Account.

- Q. Federal Grants** - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

- R. Bond and Note Premiums/Discounts** - Bond and note proceeds, premiums and discounts are reported as an other financing source or use in the governmental fund financial statements. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as issuance costs and refunding charges (the difference between the carrying amount of redeemed/defeased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium, discount or refunding charge while bond and note issuance costs are reported as deferred charges.

- S. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

Mississippi

Note 2 - Other Accounting Disclosures

- A. Fund Balances** - Fund balances, unreserved - designated on the Governmental Funds Balance Sheet are explained as follows (amounts expressed in thousands):

	Governmental Funds			Totals
	General	Health Care	Nonmajor Funds	
Fund balances, unreserved - designated:				
Debt service	\$ 208,136	\$	\$ 6,511	\$ 214,647
Disaster recovery			143,000	143,000
Energy programs			4,342	4,342
Future capital projects	969		376,714	377,683
Future loans	79,275		11,086	90,361
Health care		266,411		266,411
Port improvements	558			558
Road and highway construction	556,253			556,253
Special treasury accounts	288,940			288,940
Working cash stabilization reserve	363,250			363,250
Total	<u>\$ 1,497,381</u>	<u>\$ 266,411</u>	<u>\$ 541,653</u>	<u>\$ 2,305,445</u>

- B. Net Assets Restricted by Enabling Legislation** - The State's net assets restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net assets reports \$1,445,466,000 of restricted net assets, of which \$75,055,000 is restricted by enabling legislation.
- C. Deficit Net Assets** - At June 30, 2008, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net assets of \$55,343,000. The deficit is a result of actuarial accruals of benefits exceeding tuition receipts, and a decline in investment income.
- D. Restatements of Net Assets** - During fiscal year 2008, prior period adjustments of \$52,888,000 on the General Fund were made to increase the beginning net assets of governmental activities due to the understatement of the federal share of Medicare Part B premiums related to Medicaid. Prior period adjustments of \$35,478,000 on Unemployment Compensation, a major enterprise fund, were made to decrease the beginning net assets of business-type activities due to the overstatement of assessments receivable. A reclassification of net assets of \$8,000 was made between governmental activities and business-type activities. Prior period adjustments of \$5,514,000 were made to increase the beginning net assets of Universities, a major component unit.

Within governmental activities, reclassifications of net assets were made from internal service funds to the General Fund for \$253,000 and from nonmajor governmental funds to the General Fund for \$778,000. The Capital Projects fund was reclassified from a major governmental fund to a nonmajor governmental fund for \$227,464,000.

The restatement of beginning net assets is summarized as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities	Component Units
Net Assets at June 30, 2007, as previously reported	\$ 10,770,227	\$ 1,200,440	\$ 3,402,044
Fund reclassifications	8	(8)	
Prior period adjustments	52,888	(35,478)	5,514
Net Assets at June 30, 2007, as restated	<u>\$ 10,823,123</u>	<u>\$ 1,164,954</u>	<u>\$ 3,407,558</u>

Mississippi

Note 3 - Interfund Transactions

At June 30, 2008, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

Due From	Due To						Total
	General	Nonmajor Governmental	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Fiduciary	
Governmental:							
General	\$	\$ 17,799	\$ 3,486	\$	\$ 225	\$	\$ 21,510
Health Care	3,800		6				3,806
Nonmajor Governmental	26,775	324	252		1,432		28,783
Internal Service	208	110	3	272			593
Proprietary:							
Unemployment Compensation	1	2,771					2,772
Prepaid Affordable College Tuition			1				1
Nonmajor Enterprise	272	2,235					2,507
Fiduciary			20			1	21
Total	\$ 31,056	\$ 23,239	\$ 3,768	\$ 272	\$ 1,657	\$ 1	\$ 59,993

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2008, interfund loans consisted of (amounts expressed in thousands):

Loans To	Loans From						Total
	General	Health Care	Nonmajor Governmental	Internal Service	Nonmajor Enterprise	Fiduciary	
Governmental:							
General	\$	\$ 240,000	\$ 3,089	\$ 14,162	\$ 2	\$ 1,361	\$ 258,614
Proprietary:							
Nonmajor Enterprise	270						270
Total	\$ 270	\$ 240,000	\$ 3,089	\$ 14,162	\$ 2	\$ 1,361	\$ 258,884

During fiscal year 2005, the State Legislature authorized the Health Care Fund to loan \$240,000,000 to the General Fund for funding medical and administrative services provided by the Division of Medicaid.

During fiscal year 2004, the State Legislature directed the State Treasurer to transfer monies to the General Fund for appropriation by the Legislature. Based on the legislative provision for repayment, these monies are considered loans. Loans to the General Fund are from the various funds as presented in the table above (i.e., Nonmajor Governmental, Internal Service, Nonmajor Enterprise and Fiduciary) for a total of \$18,614,000.

Also included in the table is a \$2,500,000 loan to the Yellow Creek Inland Port Authority Fund (a nonmajor enterprise fund) for the construction of a building. At June 30, 2008, the outstanding balance is \$270,000.

Mississippi

At June 30, 2008, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

Due From	Due To													
	Primary Government				Component Units									
	General	Internal Service	Unemployment Compensation	Nonmajor Enterprise	Universities	Nonmajor	Total							
Primary Government:														
General	\$	\$	\$	\$	\$	19,422	\$	340	\$	19,762				
Nonmajor Governmental						689		84		773				
Internal Service								8		8				
Nonmajor Enterprise						11				11				
Component Units:														
Universities		485	53	156	5					699				
Nonmajor			9							9				
Total	\$	485	\$	62	\$	156	\$	5	\$	20,122	\$	432	\$	21,262

Amounts due to and due from the primary government and component units are the results of timing differences between the date expenses/expenditures occur and the date payments are made.

At June 30, 2008, interfund transfers consisted of (amounts expressed in thousands):

Transfer From	Transfer To						
	General	Health Care	Nonmajor Governmental	Internal Service	Port Authority at Gulfport	Nonmajor Enterprise	Total
Governmental:							
General	\$	\$ 12	\$ 96,197	\$ 553	\$ 1,578	\$ 8,309	\$ 106,649
Health Care	21,273						21,273
Nonmajor Governmental	257,822		2,967			992	261,781
Internal Service	1,609		20				1,629
Proprietary:							
Unemployment Compensation			6,658				6,658
Nonmajor Enterprise	74		1,361				1,435
Total	\$ 280,778	\$ 12	\$ 107,203	\$ 553	\$ 1,578	\$ 9,301	\$ 399,425

Interfund transfers are primarily used to 1) move revenues from funds required to collect them to funds required to expend them, 2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) transfer capital facility construction and debt service expenditures to the funds making the payments.

The State Legislature authorized transfers of \$10,000,000 from the General Fund to Emergency Management (a nonmajor governmental fund) to cover insufficiencies in disaster support and assistance.

The State Legislature directed the State Fiscal Officer to transfer monies to the General Fund for appropriation by the Legislature. Transfers to the General Fund from nonmajor governmental funds are \$138,595,000.

Mississippi

Note 4 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool for all state treasury funds and for investments of certain other state agencies. In addition, the Public Employees' Retirement System (the System), and a small number of other agencies carry out investment activities separate from the State Treasurer. A discussion of statutory authority for these investments follows.

The State Treasurer is authorized to invest all excess treasury funds of the state under Section 27-105-33, Mississippi Code Ann. (1972). Funds in the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account are invested by the State Treasurer as authorized by Sections 27-103-203 and 7-9-103, respectively, Mississippi Code Ann. (1972).

As a result of the settlement of the State's lawsuit against tobacco companies in 1999, Section 43-13-409, Mississippi Code Ann. (1972) created the Health Care Trust Fund Board (the Board). This code designates the State Treasurer as chairman and gives the Board investment authority.

The System is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). All investments are governed by the Board of Trustee's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

Primary Government Deposits (except for the System)

Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5 1/2 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish a public funds guaranty pool administered by the Guaranty Pool Board and the State Treasurer. The Guaranty Pool Board is composed of the State Treasurer, Commissioner of Banking and Consumer Finance, five members nominated by the Mississippi Bankers Association, one member nominated by the Mississippi Supervisors Association, and one member nominated by the Mississippi Municipal League. The Guaranty Pool Board is responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish criteria for a financial institution that has been in existence for three years or more to be approved as a qualified public funds depository and a public funds guaranty pool member. Potential guaranty pool members must submit an application and supply financial information to the State Treasurer as provided to its regulatory authority to verify the institution meets certain financial criteria established in the law. In addition to the requirements in the law, the Guaranty Pool Board has established additional membership requirements pursuant to its statutory authority. Once approved as a member of the public funds guaranty pool, the members must submit quarterly financial information to the State Treasurer. The Guaranty Pool Board uses this information to monitor the financial status of each member and the fiscal soundness of the guaranty pool.

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member may meet its 105 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian) equal to at least 75 percent of the average daily balance of the public funds on deposit in excess of the portion insured by the FDIC and entering into an agreement of contingent liability with the State Treasurer for the remaining 30 percent. The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2008, \$1,724,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2008, \$1,419,000 was uninsured and uncollateralized.

Mississippi

Primary Government Investment Policies (except for the System)

The State Treasurer is authorized to invest all funds in the state pool in the following:

Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;

Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories); and

Direct U.S. Treasury obligations, U.S. Government instrumentalities, U.S. Government agency obligations and any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account; and the Board are authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State of Mississippi, or of any county, city, or supervisor's district of any county of the State of Mississippi;

School district bonds of the State of Mississippi;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi, not to exceed 5 percent of total investments;

Highway bonds of the State of Mississippi;

Corporate bonds of Grade A or better as rated by Standard & Poor's Corporation or by Moody's Investors Service. The Board may invest in corporate bonds of Grade BBB/Baa or better as rated by Standard & Poor's Corporation or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard & Poor's Corporation or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U. S. Securities and Exchange Commission (SEC);

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

In addition, the Board is authorized to invest in the following:

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The Board is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Mississippi

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments; and

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the Board.

Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The primary government's exposure to credit risk as of June 30, 2008 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings						
	AAA	AA	A	BBB	BB	B	Not Rated
Asset and mortgage backed securities	\$	\$	\$	\$	\$	\$	\$ 942,433
Corporate bonds	10,326	6,120	14,999	6,124	460	99	
Municipal bonds	620	3,283	1,256	203		51	116
Mutual funds	224,142						221,112
Repurchase agreements							78,493
U.S. Government agency obligations	650,699	531					8,844
Total	\$ 885,787	\$ 9,934	\$ 16,255	\$ 6,327	\$ 460	\$ 150	\$ 1,250,998

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The primary government has no formal policy for custodial credit risk. Investments were held by the State or in the State's name by financial institutions. Repurchase agreements in the amount of \$95,000 were uninsured, and therefore subject to custodial credit risk.
- C. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2008, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 1,580
Canadian dollar	1,458
Euro	30,966
Hong Kong dollar	1,925
Japanese yen	12,112
Malaysian ringgit	1,378
Norwegian krone	630
Pound sterling	16,275
Singapore dollar	4,008
Swedish krona	548
Swiss franc	9,818
Taiwan dollar	1,101
Thailand baht	1,049
Total	\$ 82,848

Mississippi

- D. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2008, the primary government had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities	\$ 1,355,898	\$ 581	\$ 33,416	\$ 135,123	\$ 1,186,778
Corporate bonds	31,192	4,575	14,701	5,150	6,766
Municipal bonds	5,528	404	1,923	1,021	2,180
Mutual funds	445,253	445,253			
Repurchase agreements	78,493	19,791	58,702		
U.S. Government agency obligations	653,321	52,107	433,953	163,452	3,809
U.S. Treasury obligations	28,927	14,844	13,712	371	
Zero coupon bonds	2,862	499		1,753	610
Total	\$ 2,601,474	\$ 538,054	\$ 556,407	\$ 306,870	\$ 1,200,143

- E. Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government limits investment in the Veteran's Home Purchase Board notes or certificates to not more than five percent of total investment holdings. By statute, the Board's investments in stocks of any one corporation are limited to not more than three percent of the book value of their assets. The primary government has the following investments that represent more than 5 percent of net investments:

Federal Home Loan Mortgage Corporation	49.14%
Federal National Mortgage Association	24.14%

System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, where possible, the types of collateral securing deposits are limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2008, the System had no deposits in foreign demand deposit accounts.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any bank of the U.S. shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit. As of June 30, 2008, the System had cash equivalents of \$250,057,000 that were uninsured and collateral held by the custodial bank was not in the System's name.

System Investment Policies

The System is authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State of Mississippi, or of any county, city, or supervisor's district of any county of the State of Mississippi;

School district bonds of the State of Mississippi;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi, not to exceed 5 percent of total investments;

Highway bonds of the State of Mississippi;

Corporate bonds of investment grade as rated by Standard & Poor's Corporation or by Moody's Investors Service;

Mississippi

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard & Poor's Corporation or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the SEC;

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.;

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment;

Bonds, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments;

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Such investments shall at no time exceed 10 percent of total investments. The portfolio is divided between core commingled real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Types of investments not specifically authorized if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership or commingled fund approved by the Board of Trustees, provided that the total book value of these investments at no time exceed ten percent of the total book value of all investments of the System.

System Investments

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by Standard and Poor's or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by Standard and Poor's and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of \$30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or Standard and Poor's. The lending agent is permitted to purchase only AAA asset-backed securities for the cash collateral fund.

Mississippi

The System's exposure to credit risk as of June 30, 2008 is as follows (amounts expressed in thousands):

Investment Type	S & P Quality Ratings							
	AAA	AA	A	BBB	BAA	BB	BA	B
Asset backed securities	\$ 794,307	\$ 9,421	\$	\$ 1,202	\$	\$ 1,440	\$	\$ 1,555
Collateralized mortgage obligations	1,202,147	18,929	11,099	535		5,568	25	484
Commercial paper			1,714,881					
Corporate bonds	368,211	2,006,571	1,066,020	337,044	4,663	14,878		3,306
Mortgage pass-throughs	840,154		1,124					28
Municipal bonds	9,300	21,290	4,074	5,699				
Repurchase agreements	270,000							
U.S. Government agency obligations	599,971	12,185						
Yankee/Global bonds	1,179	4,424	23,079	4,022				
Total	\$ 4,085,269	\$ 2,072,820	\$ 2,820,277	\$ 348,502	\$ 4,663	\$ 21,886	\$ 25	\$ 5,373

Investment Type	S & P Quality Ratings		
	CAA	CCC	D
Asset backed securities	\$	\$ 7	\$ 370
Corporate bonds	75		2,898
Total	\$ 75	\$ 7	\$ 3,268

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have \$26,002,171,000 in investments at June 30, 2008. Of this amount, \$5,514,498,000 was exposed to custodial rate risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty. This is consistent with the securities lending agreement in place with the custodian.

The fair value of the System's cash collateral securities as of June 30, 2008, consisted of (amounts expressed in thousands):

Investment Type	Fair Value
Commercial paper	\$ 1,666,771
Repurchase agreements	80,000
Corporate bonds	2,592,519
Asset backed securities	716,198
Collateralized mortgage obligations	459,010
Total	\$ 5,514,498

Mississippi

- C. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy limits non-U.S. investments to 16 percent of total investments. At June 30, 2008, the current position is 23 percent. The System's exposure to foreign currency risk at June 30, 2008, is as follows (amounts expressed in thousands):

Currency	Fair Value
Australian dollar	\$ 192,907
Brazilian real	103,700
Canadian dollar	99,352
Danish krone	17,135
Egyptian pound	26,567
Euro	1,505,454
Hong Kong dollar	103,521
Hungarian forint	4,076
Indian rupee	51,798
Indonesian rupiah	20,410
Japanese yen	672,887
Malaysian ringgit	12,340
Mexican nuevo peso	12,506
New Israeli shekel	29,271
New Turkish lira	27,367
New Zealand dollar	1,451
Norwegian krone	46,601
Pound sterling	768,002
Singapore dollar	38,979
South African rand	92,149
South Korean won	97,635
Swedish krona	98,990
Swiss franc	227,957
Taiwan dollar	35,541
Total	\$ 4,286,596

- D. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2008, the System had the following investments and maturities (amounts expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Asset and mortgage backed securities	\$ 808,302	\$ 733,588	\$ 4,573	\$ 6,363	\$ 63,778
Collateralized mortgage obligations	1,238,787	487,416	16,050	28,749	706,572
Commercial paper	1,714,881	1,714,881			
Corporate bonds	3,803,666	1,568,044	1,469,988	402,305	363,329
Mortgage pass-throughs	874,690	98	898	40,668	833,026
Municipal bonds	40,363		497	5,903	33,963
Repurchase agreements	270,000	270,000			
U.S. Government agency obligations	612,156	26,475	252,031	86,721	246,929
U.S. Treasury obligations	920,370	32,234	400,713	280,151	207,272
Yankee/Global bonds	32,704	2,015	10,678	5,713	14,298
Total	\$ 10,315,919	\$ 4,834,751	\$ 2,155,428	\$ 856,573	\$ 2,469,167

During fiscal year 2008, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, collateralized mortgage obligations (CMOs) and asset-backed securities (ABS). The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$3,000,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

Mississippi

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$1,238,787,000 in CMOs at June 30, 2008. Of this amount, \$416,000,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes. Of the \$808,302,000 in ABS held at June 30, 2008, \$17,000,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2008, the System has invested in \$874,690,000 in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

- E. Securities Lending Transactions** - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2008, by the System are long-term U. S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent (domestic equities and bonds) and 105 percent (international equities) of the fair value and accrued income of the securities lent. In the event the collateral fair value falls to less than 102 or 105 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 3.7 days at June 30, 2008. Cash collateral is invested in debt securities such as corporate bonds, collateralized mortgage obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in corporate short-term securities, such as repurchase agreements and commercial paper. The weighted average final duration of all collateral investments at June 30, 2008, was 653 days with a weighted average maturity of 38 days.

Securities lent at year end for cash collateral are presented by type; securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2008. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2008, the aggregate fair value of securities lending holdings, including accrued interest was \$5,522,243,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$5,372,649,000. The value of the collateral pledged by borrowers at year end was \$5,551,279,000.

Mississippi

Note 5 - Receivables

At June 30, 2008, receivables consisted of (amounts expressed in thousands):

	Governmental Funds				Receivables	Total
	General	Health Care	Nonmajor Funds	Internal Service	Reclass/ Elimination	Governmental Activities
Accounts	\$ 291,513	\$ 2,232	\$ 8,480	\$ 51	\$ 20	\$ 302,296
Taxes:						
Sales	277,188					277,188
Income	186,445					186,445
Gasoline	44,118					44,118
Other	67,663					67,663
Interest and dividends	27,782	38,604	1,960	428	(38,082)	30,692
Other	258					258
Gross receivables	894,967	40,836	10,440	479	(38,062)	908,660
Allowance for uncollectibles	(94,246)					(94,246)
Receivables, net	\$ 800,721	\$ 40,836	\$ 10,440	\$ 479	\$ (38,062)	\$ 814,414
Amounts not scheduled for collection in subsequent year	\$ 67,067	\$ 38,082	\$ 337		\$ (38,082)	\$ 67,404

	Business-type Activities				
	Unemployment Compensation	Port Authority at Gulfport	Prepaid Affordable College Tuition	Nonmajor Funds	Total
Accounts	\$ 31,478	\$ 601	\$ 5,135	\$ 3,292	\$ 40,506
Assessments	31,558				31,558
Insurance		4,125			4,125
Interest and dividends		642	650	596	1,888
Gross receivables	63,036	5,368	5,785	3,888	78,077
Allowance for uncollectibles	(30,781)			(12)	(30,793)
Receivables, net	\$ 32,255	\$ 5,368	\$ 5,785	\$ 3,876	\$ 47,284

	Component Units		
	Universities	Nonmajor	Total
Accounts	\$ 2,101,014	\$ 4,298	\$ 2,105,312
Interest	3,387	263	3,650
Gross receivables	2,104,401	4,561	2,108,962
Allowance for uncollectibles	(1,876,895)		(1,876,895)
Receivables, net	\$ 227,506	\$ 4,561	\$ 232,067

Mississippi

Note 6 - Due From Other Governments

At June 30, 2008, due from other governments consisted of (amounts expressed in thousands):

	Governmental Funds			Total
	General	Nonmajor Funds	Internal Service	Governmental Activities
Due from other governments	\$ 1,100,480	\$ 131,463	\$ 23	\$ 1,231,966
Allowance for uncollectibles	(646)			(646)
Due from other governments, net	\$ 1,099,834	\$ 131,463	\$ 23	\$ 1,231,320
Amounts not scheduled for collection in subsequent year	\$ 490,202	\$ 6,166		\$ 496,368

Note 7 - Loans and Notes Receivable

At June 30, 2008, loans and notes receivables consisted of (amounts expressed in thousands):

	Primary Government			Component Units
	Governmental Funds			
	General	Nonmajor Funds	Total Governmental Activities	Universities
Loans and notes receivable	\$ 199,081	\$ 3,364	\$ 202,445	\$ 193,151
Allowance for uncollectibles		(523)	(523)	(25,177)
Loans and notes receivable, net	\$ 199,081	\$ 2,841	\$ 201,922	\$ 167,974
Amounts not scheduled for collection in subsequent year	\$ 179,335	\$ 1,893	\$ 181,228	\$ 143,062

Mississippi

Note 8 - Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2008, was as follows (amounts expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 194,558	\$ 26,118	\$ 5,257	\$ 215,419
Construction in progress	4,293,588	1,017,341	675,542	4,635,387
Total capital assets not being depreciated	4,488,146	1,043,459	680,799	4,850,806
Capital assets being depreciated:				
Buildings	1,463,642	89,587	3,713	1,549,516
Land improvements	91,948	61,316	1,682	151,582
Machinery and equipment	492,910	208,233	38,381	662,762
Infrastructure	7,885,852	593,126	133,650	8,345,328
Total capital assets being depreciated	9,934,352	952,262	177,426	10,709,188
Less accumulated depreciation for:				
Buildings	358,055	28,753	1,633	385,175
Land improvements	38,280	23,441	272	61,449
Machinery and equipment	331,593	51,372	30,297	352,668
Infrastructure	2,969,279	296,556	116,720	3,149,115
Total accumulated depreciation	3,697,207	400,122	148,922	3,948,407
Total capital assets being depreciated, net	6,237,145	552,140	28,504	6,760,781
Governmental activities capital assets, net	\$ 10,725,291	\$ 1,595,599	\$ 709,303	\$ 11,611,587

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,612	\$ 27,122	\$	\$ 39,734
Construction in progress	46,641	26,723	46,603	26,761
Total capital assets not being depreciated	59,253	53,845	46,603	66,495
Capital assets being depreciated:				
Buildings	71,928	12,359		84,287
Land improvements	28,741	6,757		35,498
Machinery and equipment	14,378	1,588	878	15,088
Infrastructure	67,579	106		67,685
Total capital assets being depreciated	182,626	20,810	878	202,558
Less accumulated depreciation for:				
Buildings	17,521	1,446		18,967
Land improvements	13,691	1,224		14,915
Machinery and equipment	10,134	718	781	10,071
Infrastructure	28,398	2,567		30,965
Total accumulated depreciation	69,744	5,955	781	74,918
Total capital assets being depreciated, net	112,882	14,855	97	127,640
Business-type activities capital assets, net	\$ 172,135	\$ 68,700	\$ 46,700	\$ 194,135

Mississippi

Depreciation expense was charged to functions/programs as follows (amounts expressed in thousands):

Governmental activities:

General government	\$	10,346
Education		4,270
Health and social services		15,314
Law, justice and public safety		27,548
Recreation and resources development		8,759
Regulation of business and profession		242
Transportation		314,510
Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets		1,974
Total depreciation expense - governmental activities	\$	382,963

Business-type activities:

Port Authority at Gulfport	\$	3,741
Other business-type		2,207
Total depreciation expense - business-type activities	\$	5,948

Construction in progress is composed of (amounts expressed in thousands):

	Project Authorization	Expended To Date	Outstanding Commitment
Governmental activities:			
Department of Transportation	\$ 5,684,820	\$ 4,314,014	\$ 1,370,818
Military Department	73,706	58,497	15,209
Department of Finance and Administration	100,797	80,661	12,551
Educational Television	10,349	10,021	93
Department of Corrections	79,501	52,521	26,980
Department of Public Safety	25,748	5,075	1,049
Mississippi Development Authority	78,027	69,909	6,850
Information Technology Services	27,844	8,354	16,705
Wireless Communication Commission	162,590	8,399	154,192
Other projects less than \$10 million	59,369	27,936	14,907
Total governmental activities	6,302,751	4,635,387	1,619,354
Business-type activities:			
Port Authority at Gulfport	36,549	22,830	13,719
Other projects less than \$10 million	3,931	3,931	
Total business-type activities	40,480	26,761	13,719
Total construction in progress	\$ 6,343,231	\$ 4,662,148	\$ 1,633,073

Mississippi

Component Units

At June 30, 2008, capital assets consisted of (expressed in thousands):

	Universities	Nonmajor	Total
Capital assets not being depreciated:			
Land	\$ 58,877	\$ 15,777	\$ 74,654
Construction in progress	381,889	28,044	409,933
Total capital assets not being depreciated	440,766	43,821	484,587
Capital assets being depreciated:			
Buildings	2,045,878	75,342	2,121,220
Land improvements	205,158	55,729	260,887
Machinery and equipment	826,931	38,723	865,654
Total capital assets being depreciated	3,077,967	169,794	3,247,761
Less accumulated depreciation	1,157,542	83,546	1,241,088
Total capital assets being depreciated, net	1,920,425	86,248	2,006,673
Component units capital assets, net	\$ 2,361,191	\$ 130,069	\$ 2,491,260

Mississippi

Note 9 - Long-term General Obligation Bonds

Bond indebtedness incurred by the State of Mississippi must be authorized by legislation governing the specific programs or projects to be financed. Such legislation provides the state bond commission authority to approve and authorize the sale and issuance of bonds. The state bond commission is comprised of the Governor as chairman, the state attorney general as secretary, and the State Treasurer.

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. General obligation bonds issued by the State as of June 30, 2008, relating to a portion of capital improvement and major economic impact projects pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2008, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in these funds, the State remains contingently liable for its payment. In accordance with Mississippi state law, the State serves as the guarantor for the general obligation bonds of the Greater Port of Pascagoula. The port is not considered part of the reporting entity; however, if the port's resources are insufficient to make the debt service payments on the outstanding bonds, the deficiency must be paid by the State. As of June 30, 2008, the Port of Pascagoula's outstanding general obligation bonds are \$435,000.

Bond Anticipation Notes

During fiscal year 2008, the State issued \$118,300,000 of general obligation notes in anticipation of the issuance of bonds for major economic impact projects and to refinance the short-term taxable General Obligation Notes, Series 2007A. These notes may be redeemed from the proceeds of permanent bonds or reissued notes. This short-term debt meets long-term financing criteria and, therefore, is not recorded as a fund liability.

Defeased Bonds

In prior years, the state defeased certain outstanding general obligation bonds of the primary government by depositing the net proceeds of refunding bonds and additional monies from debt service funds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the defeased bonds. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2008, \$587,630,000 of outstanding general obligation bonds (including prior years' refundings) are considered defeased.

Interest Rate Exchange Agreements (Swaps)

As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into forward interest rate swap agreements in connection with \$196,700,000 of currently outstanding variable rate debt.

Terms

2003A Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$50,005,000 of \$126,755,000 outstanding 2003A variable rate bonds. The 2003A bonds have final maturities occurring from November 2008 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003A swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2003B Swap Agreements - The State executed swap agreements in July 2006 and March 2007 with two different counterparties in connection with \$49,995,000 of \$126,745,000 outstanding 2003B variable rate bonds. The 2003B bonds have final maturities occurring from November 2008 through November 2028, while the final maturities on the related swaps range from November 2022 to November 2028. Under the 2003B swap agreements, the State pays the counterparties a fixed rate payment ranging from 5.248% to 5.708% and receives a variable rate payment based on one-month LIBOR.

2005 Swap Agreement - The \$46,700,000 of 2005 variable rate bonds and the related swap have final maturities occurring from September 2008 through September 2025. Under the 2005 swap, executed October 2004, the State pays the counterparty a fixed rate payment of 4.037% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Mississippi

2007 Swap Agreement - The \$50,000,000 of 2007 variable rate bonds and the related swap have final maturities occurring from September 2008 through September 2027. Under the 2007 swap, executed May 2005, the State pays the counterparty a fixed rate payment of 3.98% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Fair Value - As of June 30, 2008, the aggregate fair value of the swaps was negative \$11,348,000 based on quoted market prices. The fair value was determined by a third party consultant based on the information in the Interest Rate Swap Confirmations supplied by the swap counterparties. Based on that information and the swap market conditions prevailing on June 30, 2008, the third party consultant calculated the estimated market value. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Associated Debt - The variable rate bonds are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on all debt, reported under governmental activities and business-type activities, is presented at the end of this note. At June 30, 2008, future debt service requirements on the bonds subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2009	\$ 3,385	\$ 4,088	\$ 5,293	\$ 12,766
2010	3,540	4,034	5,207	12,781
2011	3,695	3,978	5,119	12,792
2012	3,850	3,920	5,026	12,796
2013	4,015	3,859	4,929	12,803
2014-2018	22,820	18,289	23,047	64,156
2019-2023	29,080	16,308	19,907	65,295
2024-2028	107,790	8,441	10,259	126,490
2029	18,525	166	203	18,894
	<u>\$ 196,700</u>	<u>\$ 63,083</u>	<u>\$ 78,990</u>	<u>\$ 338,773</u>

Interest Rate Risk - Although the interest rate is synthetically fixed on the bonds under the interest rate exchange agreements, interest payments on the variable rate bonds subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), also require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations of the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the contract of the authorized insurer and shall be deposited as directed by the State. Additionally, the swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State has executed swap transactions with three counterparties. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of June 30, 2008.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the SIFMA Municipal Swap Index or the LIBOR and the variable rate bonds vary, which changes the synthetic rate on the bonds. As of June 30, 2008, the SIFMA rate was 1.5875% and the interest rate on the 2005 and 2007 variable rate bonds ranged from 1.5% to 1.55%. The one-month LIBOR was 2.4575% and the interest rate on the 2003A and 2003B variable rate bonds ranged from 2.51% to 2.8%. The relationship between these rates will vary over time, and any variation will result in an adjustment to the intended synthetic interest rate.

Termination Risk - The swaps are documented by using the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events," providing that the swaps may be terminated if either the State's or a counterparty's credit rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements is terminated, the related variable rate bonds would no longer be hedged and the State would no longer effectively be paying a synthetic fixed rate with respect to these bonds. Also, if at the time of termination the swaps have a negative fair value, the State would incur a loss and would be required to settle with the other party at the swaps' fair value. If the swaps have a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case the State would become subject to the variable interest rates that were previously hedged to fixed rates.

Mississippi

Market-Access Risk or Rollover Risk - The State's swap agreements are for the term (maturity) of the corresponding variable rate bonds and, therefore, there is no market-access risk or rollover risk.

At June 30, 2008, the primary government's outstanding general obligation bonds and notes as presented in governmental activities and business-type activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Governmental Activities:				
Bonds				
Archusa Water Park	\$ 60	5%	Aug. 2008	\$ 481
Community and Jr. College Telecommunications Network	820	5%	Aug. 2008	6,619
Port Improvement	2,480	5%	Aug. 2008	19,976
Tech Prep	3,715	5.5%	Aug. 2008	30,024
Gulf Tax Credit *	100,000	0%	Oct. 2008	100,000
Spillway Road	1,805	6.25%	Feb. 2011	4,950
Gaming Highway Improvement	87,640	5%	Oct. 2011	200,000
Ayers Settlement - Allstate Building	1,525	5% - 5.6%	June 2012	3,300
Single Family Residential Housing Fund	2,295	5% - 5.6%	June 2012	5,000
Deer Island Project	4,670	3% - 3.75%	Nov. 2012	8,800
Franklin County Lake and Recreation Complex Road Construction	925	4% - 5%	Sept. 2013	1,250
Major Energy Project Development	9,625	5.6% - 6.45%	Oct. 2013	30,000
Small Business Assistance	2,691	4.85% - 6.15%	Oct. 2013	8,000
Land, Water, and Timber Resources	21,782	3% - 4.83%	Nov. 2014	38,000
Local Governments Rail Program	6,855	3% - 5.6%	Nov. 2014	13,000
Telecommunication Conference and Training Center	9,405	3% - 4.25%	Nov. 2015	17,500
Economic Development Highway	38,970	3% - 7%	Dec. 2017	62,000
Milk Producers	3,500	4.5% - 5.17%	Dec. 2017	3,500
Farish Street Historic District	3,315	3.5% - 5.55%	Aug. 2018	4,000
Cultural Development	5,510	3% - 4.5%	Nov. 2019	6,500
Disaster Assistance	4,230	3% - 4.5%	Nov. 2019	5,000
Water Pollution Control	3,533	3% - 5%	Nov. 2019	3,883
ACE Fund	4,013	3.5% - 5.55%	Dec. 2025	4,450
Business Investment Act	57,264	3.5% - 7.2%	Dec. 2025	102,440
Existing Industry	3,300	5.13% - 5.55%	Dec. 2025	3,500
Farm Reform	5,973	3.5% - 7.13%	Dec. 2025	10,000
Job Protection	4,720	5.13% - 5.55%	Dec. 2025	5,000
Local Governments Capital Improvements	5,175	5% - 6%	Dec. 2025	10,000
Raspert Flight Research Laboratory	1,124	4.25% - 5.75%	Dec. 2025	1,200
Rural Impact Act	17,295	4.25% - 5.55%	Dec. 2025	20,000
Small Municipalities and Limited Population Counties	32,217	3.96% - 5.75%	Dec. 2025	45,000
State Shipyard Improvements	92,255	3.5% - 5.55%	Dec. 2025	114,000
Stennis Space Center	22,450	3.5% - 6.38%	Dec. 2025	51,750
General Obligation Refunding Bonds	1,261,188	3.25% - 7.35%	Nov. 2026	1,640,435
Local Governments Water System Improvement	7,004	3% - 5.5%	Nov. 2026	10,743
Capital Improvements **	919,245	1.45% - 6%	Dec. 2027	1,649,689
Local System Bridge Replacement and Rehabilitation Fund	63,834	3.75% - 5.55%	Dec. 2027	70,000
Rural Fire Truck Acquisition	7,930	4% - 5.75%	Dec. 2027	8,340
Transportation	4,000	4% - 5%	Dec. 2027	4,000
Small Enterprise Development Finance	50,145	3% - 6.35%	Jan. 2028	180,785
Major Economic Impact **	416,008	1.55% - 7%	Nov. 2028	482,250
Total Bonds	3,290,491			4,985,365
Notes				
Major Economic Impact	118,300	5.11% - 5.48%	Oct. 2008	118,300
Premiums/Discounts	107,426			
Deferred Amount on Refunding	(64,144)			
Total Governmental Activities	3,452,073			5,103,665
Business-type Activities:				
Port Improvement (Gulfport)	32,064	4% - 5.5%	Nov. 2022	52,362
Total General Obligation Bonds and Notes	\$ 3,484,137			\$ 5,156,027

* The stated interest rate is 0% with an imputed rate of 5.4%.

Mississippi

** Interest on \$80,385,000 and \$224,450,000 of outstanding general obligation bonds for Capital Improvements and Major Economic Impact, respectively, is variable rate and paid at the weekly interest rate as determined by the remarketing agents. Interest rate swap agreements have been entered into in connection with \$96,700,000 of outstanding variable rate general obligation bonds for Capital Improvements where the State pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA Municipal Swap Index. Additionally, interest rate swap agreements have been entered into in connection with \$100,000,000 of outstanding variable rate general obligation bonds for Major Economic Impact where the State pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds relating to Capital Improvements and Major Economic Impact have fixed rates of interest.

At June 30, 2008, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 485,102	\$ 151,801	\$ 3,178	\$ 1,549
2010	265,185	134,195	3,365	1,380
2011	261,580	121,408	2,795	1,216
2012	251,496	108,662	2,429	1,082
2013	228,408	96,893	2,422	960
2014 - 2018	1,011,306	324,901	14,339	2,757
2019 - 2023	560,514	139,181	3,536	122
2024 - 2028	326,675	40,366		
2029	18,525	369		
Total	3,408,791	1,117,776	32,064	9,066
Premiums/Discounts	107,426			
Deferred Amount on Refunding	(64,144)			
Total Debt Service, Net	\$ 3,452,073	\$ 1,117,776	\$ 32,064	\$ 9,066

Mississippi

Note 10 - Limited Obligation Bonds

Limited obligation bonds are payable exclusively from specific pledged General Fund revenues. Such obligations are not secured by the full faith, credit and taxing power of the state, and holders of such obligations are not entitled to look to other state resources for payment.

At June 30, 2008, the outstanding limited obligation bonds presented in governmental activities are \$24,460,000. The final maturity date for these bonds is June 2009, with an interest rate of 5.25 percent. The original issue amount of these bonds was \$200,000,000. None of the limited obligation bonds of the state carry variable rates of interest. For the year ending June 30, 2009, the debt service requirement consists of a principal payment of \$24,460,000 and interest payments totaling \$1,284,000.

Note 11 - Revenue Bonds and Notes

Revenue bonds and notes are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the state.

At June 30, 2008, outstanding revenue bonds and notes are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Component Units				
Universities:				
Bonds	\$ 558,296	1% - 6.55%	Mar. 2037	\$ 760,955
Notes	7,997	0% - 8.2%	Nov. 2023	10,424
Nonmajor Component Units:				
Notes	2,236	3.137% - 4.22%	Jan. 2018	5,492
Total Component Units	<u>\$ 568,529</u>			<u>\$ 776,871</u>

At June 30, 2008, future revenue bond and note debt service requirements are (amounts expressed in thousands):

Year Ending June 30	Component Units	
	Principal	Interest
2009	\$ 23,400	\$ 28,332
2010	21,517	27,458
2011	21,731	26,451
2012	23,145	25,407
2013	22,307	23,936
2014 - 2018	125,622	97,646
2019 - 2023	125,461	66,229
2024 - 2028	105,887	37,016
2029 - 2033	77,858	13,822
2034 - 2038	21,601	1,459
	<u>\$ 568,529</u>	<u>\$ 347,756</u>

Mississippi

Note 12 - Other Long-term Liabilities

- A. Compensated Absences** - The State's liability for compensated absences at June 30, 2008 was \$116,760,000 for governmental activities and \$577,000 for business-type activities. Internal service compensated absences of \$1,269,000 are included in governmental activities. The component units reported a liability of \$84,300,000 for compensated absences, of which \$83,536,000 was for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).
- B. Notes Payable and Certificates of Participation** - At June 30, 2008, the primary government's outstanding notes payable and certificates of participation as presented in governmental activities are (amounts expressed in thousands):

Purpose	Outstanding Amount	Interest Rates	Final Maturity Date	Original Amount
Notes Payable:				
Utility restoration	\$ 189,860	5% - 5.45%	Jul. 2019	\$ 189,860
Energy efficiency	16,024	4.15% - 5.73%	Apr. 2023	19,872
Buildings*	225,418	2.95% - 5.33%	May 2028	227,855
Roads and bridges**	431,469	2.86% - 5%	Jan. 2035	441,550
Total	862,771			879,137
Premiums	20,512			
Deferred Amount on Refunding	(1,234)			
Total Notes Payable	\$ 882,049			\$ 879,137
Certificate of Participation:				
Buildings	\$ 2,190	5% - 5.4%	Oct. 2017	\$ 3,215

* Interest rate swap agreements have been entered into in connection with \$166,250,000 of outstanding variable rate notes for purchases of buildings where the State pays the counterparties fixed rate payments ranging from 3.36% to 3.49%, and until September 30, 2008 receives variable rate payments computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the State will receive variable rate payments computed based on USD-LIBOR-BBA multiplied by 67%.

** Interest on \$26,068,000 of outstanding notes payable to accelerate construction of roads and bridges is variable rate and is reset weekly at the New York prime rate plus 2%, never to exceed 13%.

Refunding - During fiscal year 2008, the State issued \$208,955,000 of refunding notes to currently refund six notes for buildings reported in governmental activities. The current refunding was undertaken to reduce debt service payments over the next 20 years by \$10,778,000, to provide stability under current market conditions, and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding notes) of \$40,390,000.

At June 30, 2008, future debt service requirements for notes payable and certificates of participation are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities			
	Certificates of Participation		Notes Payable	
	Principal	Interest	Principal	Interest
2009	\$ 145	\$ 112	\$ 29,548	\$ 38,407
2010	155	105	36,515	37,172
2011	160	96	39,871	35,365
2012	170	88	41,533	33,431
2013	175	79	43,664	31,400
2014 - 2018	1,385	229	240,678	123,239
2019 - 2023			216,572	67,062
2024 - 2028			182,205	24,174
2029 - 2033			21,875	5,145
2034 - 2035			10,310	496
Total	2,190	709	862,771	395,891
Premiums			20,512	
Deferred Amount on Refunding			(1,234)	
Total Debt Service, Net	\$ 2,190	\$ 709	\$ 882,049	\$ 395,891

Mississippi

Interest Rate Exchange Agreements (Swaps)

2009 Swap Agreement - As a means to mitigate the State's exposure to fluctuating interest rates, the State entered into a forward interest rate swap agreement in connection with \$58,000,000 of variable rate notes to be issued in the year 2009 for a highway construction project.

Terms - The 2009 notes and the related swap agreement will have maturities occurring from January 2011 through January 2029. Under the 2009 swap agreement, which was executed in December 2005, the State will, upon issuance of the 2009 notes, pay to the counterparty fixed interest payments at 4.606% and will receive from the counterparty variable interest payments computed based on the SIFMA Municipal Swap Index.

Fair Value - The fair value of the 2009 swap agreement at June 30, 2008 was negative \$3,651,000, estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon notes due on the date of each future net settlement under the swap agreement.

Associated Debt - The 2009 notes to which the swap agreement relates have not yet been issued by the State.

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2009 notes under the interest rate swap agreement, interest payments on the variable rate notes subject to the interest rate swap agreement and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreement requires that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the Standard & Poor's Ratings Group rating of "BBB-" or the Moody's Investors Services, Inc. rating of "Baa3", that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States, with a net market value of at least 102% of the net market value of the contract of the authorized issuer and shall be deposited as directed by the State. Additionally, the swap agreement requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The counterparty met the required rating as of June 30, 2008.

Basis Risk - The interest rate swap agreement exposes the State to basis risk as the relationship between the SIFMA Municipal Swap Index and the variable rate notes vary, which changes the synthetic rate of the notes. The relationship between these rates will vary over time and any variation will result in an adjustment to the synthetic interest rate.

Termination Risk - The swap agreement is documented by using the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes additional termination events providing that the swap agreement may be terminated if either the State's or a counterparty's credit rating falls below certain levels. The State or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the agreement. If the swap agreement is terminated, the related variable rate notes would no longer be hedged and the State would no longer be effectively paying a synthetic fixed rate with respect to these notes. Also, if at the time of termination the swap agreement has a negative fair value, the State would incur a loss and would be required to settle with the counterparty at the swap agreement's fair value. If the swap agreement has a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case, the State would become subject to the variable interest rate of the notes that was previously hedged to a fixed rate.

Market Access Risk or Rollover Risk - The State's swap agreement is for the same term as the 2009 variable rate notes and, therefore, there is no market-access risk or rollover risk related to the swap agreement.

2008A and 2008B Swap Agreements - The State entered into interest rate swap agreements in connection with its \$96,390,000 refunding notes (2008A Notes) and \$69,860,000 refunding notes (2008B Notes) both issued in 2008. These refunding notes were issued to refund notes for correctional facilities and the swap agreements were entered into to mitigate the State's exposure to fluctuating interest rates.

Terms - The 2008A notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008A swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.361% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the state will receive a variable payment based on 67% of the USD-LIBOR-BBA. The 2008B notes and its related swap have final maturities occurring from August 2010 through August 2027. Under the 2008B swap agreement, executed April 2008, the State pays the counterparty a fixed payment of 3.49% and until September 30, 2008 receives a variable rate payment computed based on the SIFMA Municipal Swap Index. After September 30, 2008, the state will receive a variable rate payment based on 67% of the USD-LIBOR-BBA.

Mississippi

Fair Value - The fair values of the 2008A and 2008B swap agreements at June 30, 2008 were negative \$2,273,000 and negative \$2,548,000, respectively. The fair values were based upon mid-market quotations for the swap transactions on June 30, 2008. The fair value may vary throughout the life of the swap agreements due to swap market conditions.

Associated Debt - The 2008A and 2008B variable rate notes are subject to the interest rate exchange agreements. The interest and net swap payments shown assume that interest rates remain the same for their term. As rates vary, interest payments on the variable rate notes and the net swap payments will change. The future debt service requirements on notes payable and certificates of participation are presented at the beginning of this note. At June 30, 2008, future debt service requirements on the notes subject to the swap agreements are (amounts expressed in thousands):

Year Ending June 30	Principal	Interest	Net Swap Amount	Total
2009	\$	\$ 2,577	\$ 2,935	\$ 5,512
2010		2,577	2,935	5,512
2011	1,735	2,552	2,907	7,194
2012	1,800	2,524	2,875	7,199
2013	2,280	2,490	2,836	7,606
2014 - 2018	26,275	11,578	13,186	51,039
2019 - 2023	53,770	8,028	9,144	70,942
2024 - 2028	80,390	3,164	3,602	87,156
	\$ 166,250	\$ 35,490	\$ 40,420	\$ 242,160

Interest Rate Risk - Although the interest rate is synthetically fixed on the 2008A and 2008B notes under the interest rate exchange agreements, interest payments on the variable rate notes subject to the interest rate exchange agreements and the net swap payments will vary as interest rates change.

Credit Risk - The swap agreements require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories, and ratings which are obtained from any other nationally recognized statistical rating agencies shall also be within the three highest grade categories. All of the swap agreements require that should the rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the counterparty transfer the agreement to an entity that meets the required rating. The State has executed swap transactions with two counterparties. The counterparties met the required rating as of June 30, 2008.

Basis Risk - The interest rate exchange agreements expose the State to basis risk as the relationship between the SIFMA Municipal Swap Index and the variable rate notes vary, which changes the synthetic rate on the notes. As of June 30, 2008, the SIFMA Municipal Swap Index rate and the interest rates on the 2008A and 2008B variable rate notes were 1.55%. The relationship between these rates will vary over time and any variation will result in an adjustment to the intended synthetic interest rate.

Termination Risk - The swaps are documented by using the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes additional termination events, providing that the swaps may be terminated if either the State's or a counterparty's credit rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements is terminated, the related variable rate notes would no longer be hedged and the State would no longer effectively be paying a synthetic fixed rate with respect to these notes. Also, if at the time of termination the swaps have a negative fair value, the State would incur a loss and would be required to settle with the other party at the swaps' fair value. If the swaps have a positive fair value at the time of termination, the State would realize a gain that the counterparty would be required to pay. In either case, the State would become subject to the variable interest rates that were previously hedged to fixed rates.

Market-Access Risk or Rollover Risk - The State's 2008A and 2008B swap agreements are for the term (maturity) of the corresponding variable rate notes and, therefore, there is no market-access risk or rollover risk.

- C. Capital Lease Commitments** - The State leases property with varying terms and options. Most leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, if renewal is reasonably assured, leases requiring appropriation by the State Legislature are considered non-cancellable leases for financial reporting purposes.

Mississippi

At June 30, 2008, assets recorded under capital leases are as follows (amounts expressed in thousands):

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 21,245	\$ 1,140
Less accumulated depreciation	(8,352)	(160)
Total	\$ 12,893	\$ 980

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$36,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$38,126,000.

At June 30, 2008, future minimum commitments under capital leases are (amounts expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
2009	\$ 5,596	\$ 303	\$ 5,899	\$ 11,537
2010	3,947	705	4,652	9,270
2011	2,617		2,617	8,707
2012	1,059		1,059	5,345
2013	206		206	1,772
2014 - 2018	107		107	1,755
Total Minimum Lease Payments	13,532	1,008	14,540	38,386
Less Interest	977	82	1,059	3,701
Present Value of Net Minimum Lease Payments	\$ 12,555	\$ 926	\$ 13,481	\$ 34,685

Internal service future minimum lease payments of \$68,000 less interest of \$5,000 are included in the governmental activities column.

Mississippi

Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2008 are summarized below (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds and Notes (Note 9)	\$ 3,106,601	\$ 549,420	\$ 247,230	\$ 3,408,791	\$ 485,102
Premiums/Discounts (Note 9)	98,975	17,487	9,036	107,426	9,263
Deferred Amount on Refunding (Note 9)	(70,344)	6,200		(64,144)	(5,849)
Limited Obligation Bonds (Note 10)	47,880		23,420	24,460	24,460
Notes Payable (Note 12)	690,316	380,707	208,252	862,771	29,548
Premiums/Discounts (Note 12)	19,624	1,736	848	20,512	1,438
Deferred Amount on Refunding (Note 12)	(1,912)	1,932	1,254	(1,234)	(89)
Total Bonds and Notes	3,891,140	957,482	490,040	4,358,582	543,873
Capital Lease Obligations (Note 12)	18,568	724	6,737	12,555	5,109
Accrued Compensated Absences (Note 12)	107,691	68,736	59,667	116,760	6,659
Certificates of Participation (Note 12)	2,330		140	2,190	145
	<u>\$ 4,019,729</u>	<u>\$ 1,026,942</u>	<u>\$ 556,584</u>	<u>\$ 4,490,087</u>	<u>\$ 555,786</u>
Business-type Activities:					
General Obligation Bonds (Note 9)	\$ 35,084	\$	\$ 3,020	\$ 32,064	\$ 3,178
Accrued Compensated Absences (Note 12)	622	163	208	577	27
Capital Lease Obligations (Note 12)	214	817	105	926	261
	<u>\$ 35,920</u>	<u>\$ 980</u>	<u>\$ 3,333</u>	<u>\$ 33,567</u>	<u>\$ 3,466</u>

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities capital lease obligations include \$82,000 and \$63,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,127,000 and \$1,269,000, respectively, of internal service funds. The beginning balance of governmental activities notes payable includes \$60,000 of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund and special revenue funds.

The amount shown in this schedule for notes payable does not include the short-term borrowing disclosed in Note 15. The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.

Mississippi

Note 14 - Bonds Authorized But Unissued

At June 30, 2008, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

Purpose	Authorized	Authorized But Unissued
General Obligation Bonds:		
ACE Fund	\$ 17,450	\$ 13,000
Business Investment Act	316,000	49,123
Capital Improvements	894,877	214,167
Children's Museums	7,500	4,400
Community Heritage Preservation	25,750	5,500
Cultural Development Act	21,200	4,000
Deer Island Project	10,000	1,200
Disaster Matching Funds	61,000	51,000
Economic Development Highway	196,500	67,600
Existing Industry Productivity	7,000	3,500
Farish Street Historic District	6,000	2,000
Farm Reform	109,000	4,000
Holly Springs Industrial Park Access Road	500	500
Infinity Space, Science and Education Center	10,000	10,000
Job Protection	12,000	7,000
Local Governments Capital Improvements	118,000	13,000
Local Governments Water System Improvements	29,743	4,000
Local System Bridge Replacement	115,000	45,000
Major Economic Impact	1,224,950	475,460
Marine Resources Equipment and Facilities	30,000	25,000
Parks Improvement	15,925	3,019
Port Improvement (Gulfport)	80,000	53,235
Railroad Lines and Bridges Improvements	5,000	5,000
Rural Fire Truck Acquisition	10,000	1,660
Rural Impact	21,875	1,875
Small Enterprise Development Finance	140,000	89,855
Small Municipalities and Limited Population Counties	48,000	3,000
Southern Arts and Entertainment Center	4,000	4,000
Technology Alliance Program	4,000	4,000
Transportation - Highways	8,000	8,000
Water Pollution Control	13,693	600
Watershed Repair and Rehabilitation	6,500	1,000
	3,569,463	1,174,694
Revenue Bonds:		
Port of Gulfport Rail Line	20,000	20,000
	\$ 3,589,463	\$ 1,194,694

Mississippi

Note 15 - Short-term Financing

- A. General Obligation Notes** - During fiscal year 2008, the State issued \$30,075,000 in short-term general obligation CAPTENS notes to provide financing for capital improvement projects, rural fire truck acquisition, an economic development highway project, loans for milk producers, and major economic impact projects. The CAPTENS notes Series A matured in January 2008 and had interest rates ranging from 3.42% to 3.72%. The taxable CAPTENS notes Series B matured in January 2008 and had interest rates ranging from 5% to 5.25%. Additionally, the State reissued \$50,000,000 in general obligation notes, in anticipation of the issuance of bonds, which provided financial assistance for a major economic impact project. This reissuance meets long-term financing criteria and, therefore, is recorded as a reduction in short-term debt. At June 30, 2008, there were no outstanding general obligation short-term notes. Changes in general obligation short-term notes activity recorded in the governmental activities during fiscal year 2008 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Notes, CAPTENS Series A	\$ 0	\$ 13,525	\$ 13,525	\$ 0
General Obligation Notes, CAPTENS Series B	0	16,550	16,550	0
General Obligation Notes, Series 2007A	50,000		50,000	0
	<u>\$ 50,000</u>	<u>\$ 30,075</u>	<u>\$ 80,075</u>	<u>\$ 0</u>

- B. Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2008 are as follows (amounts expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Medicaid Line of Credit	\$ 0	\$ 190,947	\$ 150,947	\$ 40,000

Mississippi

Note 16 - Retirement Plans

Plan Description

A. General

In accordance with state statutes, Public Employees' Retirement System (PERS) Board of Trustees (System) administers four defined benefit plans. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1952, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, the Municipal Retirement Systems (MRS), which are agent multiple-employer defined benefit public employee retirement systems composed of 19 separate municipal retirement and fire and police disability and relief systems, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990.

PERS, MHSPRS, MRS and SLRP are considered part of the State of Mississippi's financial reporting entity and are included in the accompanying financial statements as pension trust funds. The purpose of these plans is to provide pension benefits for all state employees, sworn officers of the state highway patrol, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the senate. The System issues a Comprehensive Annual Financial Report, which includes PERS, MHSPRS, MRS and SLRP, that is available from Public Employees' Retirement System of Mississippi.

B. Membership and Benefit Provisions

Public Employees' Retirement System: Membership in PERS is a condition of employment; eligibility is granted upon hiring for all qualifying employees and officials of the state, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the state, membership is contingent upon approval of the entity's participation in the plan by the System's Board of Trustees. If approved, membership is a condition of employment and eligibility is granted upon hiring. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service through 25 years, plus 2 1/2 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect an option for a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System prior to July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2008, the total additional annual payments were \$281,124,000.

Mississippi Highway Safety Patrol Retirement System: Membership in MHSPRS is a condition of employment; eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State of Mississippi. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest.

Participating employees who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 1/2 percent of their average compensation during the four highest consecutive years of earnings reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

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A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 60, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 60. For the year ended June 30, 2008, the total additional annual payments were \$5,620,000.

Municipal Retirement Systems: Membership in the two General Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, firefighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Employees hired after these periods automatically become members of PERS. MRS were fully closed to new members July 1, 1987. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions.

Participating employees who retire regardless of age with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life, in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66 2/3 percent of average monthly compensation. Average monthly compensation for the two Municipal Retirement Systems and for the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS also provide certain death and disability benefits. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Annotated (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of Municipal plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain Municipal plans may adopt an annual adjustment other than one linked to the change in the Consumer Price Index. These additional payments will only be made when funded by the employers. For the year ended June 30, 2008, the total additional annual payments were \$4,610,000.

Supplemental Legislative Retirement Plan: Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when the SLRP became effective on July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of their accumulated employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Annotated (1972), and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2008, the total additional annual payments were \$124,000.

C. Actuarial Asset Valuation

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2008. An actuarial valuation of MRS is required to be performed at least once in each four-year period as of September 30, with the most recent being September 30, 2007. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

D. Funding Policy and Annual Pension Costs

Contribution provisions for PERS, MHSPRS and SLRP are established by state statute. The adequacy of these rates is assessed annually by actuarial valuation. Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the State Legislature.

Mississippi

The following table provides information concerning funding and actuarial policies (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Contribution rates:				
State	11.85%	30.30%	N/A	6.65%
Other employers	N/A	N/A	.73 – 8.73 mills	N/A
Plan members	7.25%	6.50%	7.00% - 10.00%	3.00% *
Annual pension cost	\$ 683,189	\$ 12,409	\$ 15,426	\$ 449
Employer contributions made	\$ 683,189	\$ 12,409 ***	\$ 14,979	\$ 449
Actuarial valuation date	June 30, 2008	June 30, 2008	Sept. 30, 2007	June 30, 2008
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level	Level	Level	Level
	percent open	percent open	dollar closed	percent open
Remaining amortization period	29.4 years	16.6 years	27.0 years	16.8 years
Asset valuation method	5-year	5-year	5-year	5-year
	smoothed market	smoothed market	smoothed market	smoothed market
Actuarial assumptions:				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Wage inflation rate	4.00%	4.00%	4.00%	4.00%
Projected salary increases	5.00% - 15.00%	5.00% - 10.52%	4.50% - 6.00%	5.00%
Increases in benefits after retirement	3.00% ~	3.00% @	2.00% - 3.75% #	3.00% ~
Proposed annual employer contribution rates for fiscal year 2010	12.00% **	30.30%	-	6.65%

* In addition to 7.25% required by PERS.

@ Calculated 3% simple interest to age 60, compounded each year thereafter.

~ Calculated 3% simple interest to age 55, compounded each year thereafter.

Varies depending on municipality.

** In 2006, the PERS' consulting actuary recommended an employer contribution rate of 12.25 percent of covered wages in order to comply with GASB Statements No. 25 and No. 27. The PERS Board of Trustees adopted a plan to phase-in the contribution rate increase in .55 percent increments until a sufficient funding level was reached to keep the unfunded accrued liability period less than 30 years. As a result, the employer contribution rate was increased to 11.85 percent from 11.3 percent effective July 1, 2007. In the June 30, 2008 valuation report, the consulting actuary recommended an employer contribution rate of 12.0 percent beginning July 1, 2009.

*** Includes fees authorized by the State Legislature which are reported as other additions in the pension trust funds.

E. Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

	PERS	MHSPRS*	MRS**	SLRP
Contributions:				
2006	\$ 557,831	\$ 9,512	\$ 13,950	\$ 411
2007	610,888	10,616	15,628	432
2008	683,189	12,409	14,979	449

* Includes fees authorized by the State Legislature which are reported as other additions in the pension trust funds.

** Information furnished for MRS is for the years ended September 30, 2005, 2006, and 2007, respectively.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met or exceeded the required contributions, except for MRS where the percent contributed was 100.6%, 101.5%, and 97.1% of the required contributions for the years ended September 30, 2005, 2006, and 2007, respectively. The State makes no contributions to the MRS; therefore, any NPO would belong to the respective municipal entity. For the years ended September 30, 2005, 2006, and 2007, the MRS net pension obligation or net pension asset was not significant.

Mississippi

F. Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

	PERS	MHSPRS	MRS	SLRP
Actuarial Valuation Date	June 30, 2008	June 30, 2008	Sept. 30, 2007	June 30, 2008
Actuarial Value of Assets	\$ 20,814,720	\$ 298,630	\$ 213,432	\$ 13,412
Actuarial Accrued Liability (AAL) Entry Age	\$ 28,534,694	\$ 381,578	\$ 379,584	\$ 15,615
Unfunded AAL	\$ 7,719,974	\$ 82,948	\$ 166,152	\$ 2,203
Percent Funded	72.9%	78.3%	56.2%	85.9%
Annual Covered Payroll	\$ 5,544,705	\$ 29,597	\$ 1,953	\$ 6,753
Unfunded AAL as a Percentage of Annual Covered Payroll	139.2%	280.3%	8,507.5%	32.6%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 17 - Other Postemployment Benefits

Plan Description

The State and School Employees' Health Insurance Management Board (the Board) administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The State does not issue a publicly available financial report for the Plan.

Funding Policy

No contributions towards other postemployment benefits (OPEB) are made. Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2008, retiree premiums range from \$162 to \$1,354 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2008. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$43,627,000 is 1.08 percent of annual covered payroll.

Mississippi

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2008 (amounts expressed in thousands):

Annual required contribution	\$ 43,627
Interest on prior year net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	43,627
Contributions made	0
Increase in net OPEB obligation	43,627
Net OPEB obligation – Beginning of year	0
Net OPEB obligation – End of year	\$ 43,627

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2008 (amounts expressed in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 43,627	0.0%	\$ 43,627

Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date (amounts expressed in thousands):

Actuarial Valuation Date	June 30, 2008
Actuarial Value of Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 570,248
Unfunded AAL (UAAL)	\$ 570,248
Funded Ratio	0.0%
Annual Covered Payroll	\$ 4,348,942
UAAL as a Percentage of Annual Covered Payroll	13.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Projected salary increases*	5.0% - 7.0%
Healthcare cost trend rate*	11.0%
Ultimate trend rate	5.0%
Year of ultimate trend rate	2015
* Includes inflation at	4.0%

Mississippi

Note 18 - Commitments

A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2008 are as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2009	\$ 19,204
2010	15,351
2011	12,868
2012	9,231
2013	6,815
2014 - 2018	20,859
2019 - 2023	1,087
2024 - 2028	595
2029 - 2033	489
2034 - 2038	361
Thereafter	334
Total Minimum Commitments	<u>\$ 87,194</u>

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2008 amounted to \$19,739,000.

B. Contracts

At June 30, 2008, the Department of Transportation had contracts outstanding of approximately \$673,802,000 with performance continuing during fiscal year 2009. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 51 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline and gaming taxes.

The State Aid Road Division had contracts of \$70,758,000 outstanding at June 30, 2008 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 54 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of \$113,666,000 at June 30, 2008. These contracts will be paid from capital projects funds.

The Military Department had contracts outstanding of approximately \$15,209,000 at June 30, 2008. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$16,339,000 at June 30, 2008. These contracts were primarily for construction costs related to terminal expansion, capital restoration of hurricane damaged assets, rehabilitating berth facilities, and other port improvements. These contracts will be paid from Port Authority at Gulfport's revenues and bonds.

Mississippi

Note 19 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2007 and 2008 are as follows (amounts expressed in thousands):

	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2007	\$ 128,880	\$ 579,594	\$ 579,273	\$ 129,201
2008	\$ 129,201	\$ 634,839	\$ 620,157	\$ 143,883

Health and Life Benefits: The State has elected to manage the health benefit through the retention of all exposure. The life benefit is purchased from a commercial insurance company for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through this plan.

Estimates of the liability for unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses.

Tort Liability: The State manages tort claims through the retention of all liability exposure. The State Legislature created the Tort Claims Board to administer these claims beginning in fiscal year 1994. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. There is some limited purchase of commercial insurance by state agencies for excess auto liability and other lines of coverage to fulfill some contractual requirements on out of state operations. There is purchase of insurance for protection of some fleet vehicles, some specified watercraft and specific fixed wing aircraft. In the last three years, settled claims have not exceeded commercial coverage.

Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

Unemployment Benefits: Unemployment benefits are established in statute and administered by the Mississippi Department of Employment Security. The State elects to manage the financial risk for state agencies through retention of all liability exposure. Benefits are financed through collection of premiums from agencies, which provides a stable cash flow for payment of claims.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, adjusted for changes in covered payrolls.

Workers' Compensation Benefits: Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. Four major state agencies have been granted exemption from participation in the Risk Management Fund.

The exposure of risk in the Risk Management Fund is financed mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums, based on an actuarial estimate, from agencies which provides a stable cash flow for claims payments. In the last three years, settled claims have not exceeded commercial coverage. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

Exempted state agencies cover all claim settlements and judgments with the resources of the General Fund. Claim expenditures and estimates of the related liability are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Mississippi

Note 20 - Contingencies

- A. Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the state. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.
- B. Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the state and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed \$2,317,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.
- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized to provide loan guarantees on behalf of rural businesses for the purpose of promoting business and economic development in rural areas of the state. At June 30, 2008, outstanding MDA loan guarantees totaled \$350,000.

The State of Mississippi has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program on behalf of local governments. The program provides operational funding to help local governments, or other political subdivisions of the State, that have incurred a significant loss in revenue, due to a presidentially declared disaster, that has adversely affected their ability to provide essential governmental services. At June 30, 2008, outstanding Community Disaster loan guarantees totaled \$144,069,000.

- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$2,192,450,000 at June 30, 2008. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

Note 21 - Endowments

The State of Mississippi Board of Trustees of the Institutions of Higher Learning (IHL) has established an investment policy regarding endowment funds in accordance with Section 79-11-601 through 79-11-617, Miss. Code Ann. (1972), otherwise known as the Uniform Management of Institutional Funds Act (UMIFA). The UMIFA allows the board to appropriate for expenditure for the uses and purposes for which an endowment fund is established, the portion of the net appreciation, realized and unrealized, in the fair value of the assets over the historic dollar value of the fund(s) as is prudent under the facts and circumstances prevailing at the time of the action or decision. In so doing, the law states in part, "they shall consider long and short-term needs of the institution in carrying out its educational, religious, charitable or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions."

In addition to an investment otherwise authorized by law or by applicable gift instrument, and without restriction to investments a fiduciary may make, the IHL Board, subject to any specific limitations as set forth in the applicable gift instrument or in the applicable law other than law relating to investments by a fiduciary, may invest the funds in any other pooled or common fund available for investment, including shares or interests in regulated investment companies, mutual funds, common trust funds, investment partnerships, real estate investment trusts or similar organizations in which funds are commingled and investment determinations are made by persons other than the IHL Board.

The net appreciation of investments of donor-restricted endowments available for expenditure approximated \$27,982,000 at June 30, 2008, and is reported as restricted, expendable net assets in the Universities, a major component unit.

Mississippi

Note 22 - Subsequent Events

Subsequent to year end, the State experienced a decline in fair value of investments. This decline is due to turbulent conditions in the financial markets which have affected substantially all investors. The duration and adverse impact of financial market volatility cannot be fully determined at the present time.

The State Fiscal Officer is required by statute to reduce allotments of appropriations to general funds and state-source special funds when General Fund revenues collected by the end of October, or any month thereafter of the fiscal year, fall below 98% of the estimate adopted by the Legislative Budget Office, at the date of sine die adjournment, in order to keep expenditures within the actual General Fund receipts. To be in compliance, the Governor ordered expenditure cuts of \$41,970,000 at the end of October 2008. Additional budget cuts may be necessary if revenue shortfalls persist.

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$349,894,000 from the Working Cash Stabilization Reserve Account and \$316,000,000 from budgetary special funds as of December 19, 2008. In order to comply with state law, all borrowings must be repaid by the end of the fiscal year.

Subsequent to year end, the State issued the following bonds and notes:

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-III Series F through H (Non-AMT) totaling \$9,025,000 dated July 1, 2008. These bonds provided loans to qualified private companies for the promotion of economic development in the state. The bonds mature serially through year 2028 with interest rates ranging from 4.5 percent to 5.25 percent.

Tax-exempt General Obligation Bonds, Small Enterprise Development Finance Act Issue, 2008-IV Series I (AMT) totaling \$750,000 dated July 1, 2008. These bonds provided a loan to a qualified private company for the promotion of economic development in the state. The bonds mature serially beginning in year 2010 through year 2023 with interest rates ranging from 6 percent to 6.5 percent.

Tax-exempt General Obligation Bonds, Series 2008A totaling \$133,545,000 dated October 1, 2008. These bonds provided funding for Community Heritage Preservation, Local Governments Water System Improvements, Water Pollution Control, Local System Bridge Replacement, Rural Fire Truck Acquisition, Watershed Repair and Rehabilitation and Capital Improvements. The bonds mature serially through year 2028 with interest rates ranging from 4.25 percent to 5 percent.

Taxable General Obligation Bonds, Series 2008B totaling \$96,600,000 dated October 1, 2008. These bonds provided funding for Economic Development Highway, State Shipyard Improvements, ACE Fund, Small Municipalities and Limited Population Counties, Job Protection, Railroad Lines and Bridges Improvements, Major Economic Impact, Farm Reform, Local Governments Capital Improvements, Technology Alliance Program, Children's Museums and Capital Improvements. The bonds mature serially through 2023 with interest rates ranging from 5 percent to 5.25 percent.

Taxable General Obligation Note (Major Economic Impact Act Issue), Series 2008 totaling \$176,600,000 dated October 30, 2008. The note will mature October 30, 2009 with interest payable at maturity a rate of 5.1 percent. This note refinanced certain taxable general obligation bond anticipation notes and provided additional financing for two Major Economic Impact projects.

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Mississippi

Required Supplementary Information

Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Sales tax	\$ 2,044,100	\$ 2,044,100	\$ 1,947,283	\$ (96,817)
Individual income tax	1,496,800	1,496,800	1,542,099	45,299
Corporate income and franchise taxes	475,000	475,000	500,696	25,696
Use and wholesale compensating taxes	236,100	236,100	208,965	(27,135)
Tobacco, beer and wine taxes	87,700	87,700	89,709	2,009
Insurance tax	165,600	165,600	159,059	(6,541)
Oil and gas severance taxes	67,500	67,500	97,774	30,274
Alcoholic Beverage Control excise and privilege taxes and net profit on sale of alcoholic beverages	57,300	57,300	60,167	2,867
Other taxes	22,400	22,400	21,397	(1,003)
Interest	22,500	22,500	39,588	17,088
Auto privilege, tag and title fees	17,800	17,800	18,364	564
Gaming fees	178,500	178,500	194,040	15,540
Highway Safety Patrol fees	21,400	21,400	24,440	3,040
Other fees and services	11,000	11,000	12,905	1,905
Miscellaneous	3,300	3,300	4,200	900
Court assessments and settlements			10,012	10,012
Special Fund revenues				
Total Revenues	4,907,000	4,907,000	4,930,698	23,698
Expenditures by Major Budgetary Function				
Legislative	25,415	25,165	24,566	(599)
Judiciary and justice	56,296	64,851	64,380	(471)
Executive and administrative	2,992	2,992	2,943	(49)
Fiscal affairs	70,994	70,994	70,986	(8)
Public education	2,232,927	2,206,427	2,202,799	(3,628)
Higher education	836,281	836,281	835,717	(564)
Public health	36,903	41,834	41,594	(240)
Hospitals and hospital schools	258,790	268,790	268,697	(93)
Agriculture, commerce and economic development	114,070	114,020	113,963	(57)
Conservation and recreation	55,989	55,939	55,858	(81)
Insurance and banking	11	11		(11)
Corrections	266,007	285,940	285,764	(176)
Interdepartmental service				
Social welfare	504,159	519,162	519,111	(51)
Public protection and veterans assistance	94,404	100,604	100,537	(67)
Local assistance	84,000	84,050	84,021	(29)
Motor vehicle and other regulatory agencies	1,910	5,250	5,250	
Miscellaneous	1,406	1,406	1,397	(9)
Public works	200	200	200	
Debt service	289,548	323,548	323,548	
Total Expenditures	4,932,302	5,007,464	5,001,331	(6,133)
Excess of Revenues over (under) Expenditures	(25,302)	(100,464)	(70,633)	29,831
Other Financing Sources (Uses)				
Transfers in	14,400	14,400	23,649	9,249
Transfers out			(143,215)	(143,215)
Investments sold, net				
Other uses of cash			(10)	(10)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(10,902)	(86,064)	(190,209)	(104,145)
Budgetary Fund Balances - Beginning	226,948	226,948	226,948	
Budgetary Fund Balances (Deficits) - Ending	\$ 216,046	\$ 140,884	\$ 36,739	\$ (104,145)

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

Education Enhancement Fund				Special Fund			
Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
\$ 257,806	\$ 249,372	\$ 273,264	\$ 23,892	\$	\$	\$	\$
26,377	23,403	25,283	1,880				
		96	96				
		1	1				
				10,931,633	13,890,135	9,717,932	(4,172,203)
284,183	272,775	298,644	25,869	10,931,633	13,890,135	9,717,932	(4,172,203)
				45	45	13	(32)
				48,037	62,128	48,312	(13,816)
				14,752	24,990	19,131	(5,859)
				70,299	75,679	60,464	(15,215)
213,119	213,119	206,416	(6,703)	800,408	900,085	791,242	(108,843)
97,004	97,004	93,890	(3,114)	85,341	86,841	73,908	(12,933)
				294,757	326,059	270,584	(55,475)
				299,766	405,370	377,927	(27,443)
3,239	3,239	3,136	(103)	2,449,524	2,462,984	793,555	(1,669,429)
125	125	125		239,838	369,152	209,439	(159,713)
				47,428	73,288	64,019	(9,269)
				61,338	64,521	62,610	(1,911)
				41,055	41,581	37,212	(4,369)
				4,647,791	5,359,152	4,511,067	(848,085)
				545,408	2,029,217	927,649	(1,101,568)
				24,557	24,734	21,395	(3,339)
450	450	434	(16)	2,540	2,940	2,322	(618)
				1,140,609	1,463,229	1,297,617	(165,612)
				118,140	118,140	27,994	(90,146)
313,937	313,937	304,001	(9,936)	10,931,633	13,890,135	9,596,460	(4,293,675)
(29,754)	(41,162)	(5,357)	35,805			121,472	121,472
						1,862	1,862
						(150,259)	(150,259)
						7,537	7,537
(29,754)	(41,162)	(5,357)	35,805			(19,388)	(19,388)
		5,755	5,755			991,339	991,339
\$ (29,754)	\$ (41,162)	\$ 398	\$ 41,560	\$ 0	\$ 0	\$ 971,951	\$ 971,951

Mississippi

Required Supplementary Information

Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2008

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus encumbrances. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate Annual Report of Budgetary Basis Expenditures has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2008 is presented below (amounts expressed in thousands):

<u>Budgetary Funds</u>	<u>General</u>	<u>Education Enhancement</u>	<u>Special</u>
<u>Financial Statement Major Funds</u>	<u>General</u>		<u>Health Care</u>
Net Change in Budgetary Fund Balances	\$ (190,209)	\$ (5,357)	\$ (19,388)
Reclassifications:			
Budgetary fund excesses are reclassified to the General Fund for GAAP reporting	55,732	5,357	(61,089)
The State reports amounts in the budgetary funds that are reported in other major and nonmajor funds			82,213
Adjustments:			
The financial reporting fund structure includes funds that are not part of the budgetary fund structure	414,216		(84,131)
The State's basis of budgeting is the cash basis plus encumbrances, rather than the modified accrual basis	(50,913)		(6,704)
Lapse period revenues and expenditures are not treated as assets and liabilities in the financial reporting period	(62,078)		7,920
Net Change in GAAP Fund Balances	\$ 166,748	\$ 0	\$ (81,179)

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Pension Trust Funds

June 30, 2008 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
2006	\$ 18,321,063	\$ 24,928,464	\$ 6,607,401	73.5 %	\$ 4,971,974	132.9 %
2007	19,791,564	26,862,636	7,071,072	73.7	5,196,295	136.1
2008	20,814,720	28,534,694	7,719,974	72.9	5,544,705	139.2
Mississippi Highway Safety Patrol Retirement System						
2006	\$ 265,637	\$ 350,638	\$ 85,001	75.8 %	\$ 24,499	347.0 %
2007	284,626	371,233	86,607	76.7	27,037	320.3
2008	298,630	381,578	82,948	78.3	29,597	280.3
Municipal Retirement Systems *						
2005	\$ 217,140	\$ 387,386	\$ 170,246	56.1 %	\$ 2,909	5,852.4 %
2006	213,553	383,355	169,802	55.7	2,223	7,638.4
2007	213,432	379,584	166,152	56.2	1,953	8,507.5
Supplemental Legislative Retirement Plan						
2006	\$ 11,620	\$ 14,064	\$ 2,444	82.6 %	\$ 6,354	38.5 %
2007	12,722	15,054	2,332	84.5	6,554	35.6
2008	13,412	15,615	2,203	85.9	6,753	32.6

* Valuation information furnished for MRS is as of September 30. The value of net assets available for benefits at June 30, 2008, does not differ materially from the value as of September 30, 2007.

Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). In addition to the smoothing process, the actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value for any given year. Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2008 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.

Mississippi

Required Supplementary Information

Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2008 (Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered Payroll ((b - a) / c)
June 30, 2008	\$ 0	\$ 570,248	\$ 570,248	0.0%	\$ 4,348,942	13.1%

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Mississippi

Nonmajor Governmental Funds

Nonmajor Governmental Funds Descriptions

Nonmajor Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The numerous special revenue funds used by the state are combined into specific functions.

Health and Social Services - accounts for federal and state monies used to provide vocational rehabilitation services, alcohol abuse treatment and rehabilitation programs, determination of disability eligibility, and administration of the Unemployment Compensation Act.

Law, Justice and Public Safety - accounts for federal and state monies used to provide an alternative to incarceration, to oversee criminal justice and highway safety, to provide training for military troops and maintenance of training sites, and to provide for emergency management programs and their administration.

Recreation and Resources Development - accounts for revenues and expenditures related to programs that promote the rice and soybean industries, promote community development including job development and training, promote efficient and environmentally acceptable use of energy, promote preservation and protection of the state's wildlife and marine resources, and operate the state parks.

Regulation of Business and Professions - accounts for revenues and expenditures related to programs that regulate telecommunications, electric, gas, water and sewer utilities, regulate banks and small loan organizations, regulate oil and gas production, regulate various professions controlled by boards and commissions, and administer the provisions of the Mississippi Workers' Compensation Law.

Capital Projects Fund

The Capital Projects Fund accounts for transactions related to resources obtained and used for acquisition, construction or improvement of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and operating transfers from the General Fund.

Permanent Funds

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government, such as, funds received in royalties and lease of state-owned land that will be used for education improvement, and wildlife endowment funds to be used to acquire land.

Mississippi

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2008 (Expressed in Thousands)

	Nonmajor Special Revenue					Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions		
Assets						
Equity in internal investment pool	\$ 28,211	\$ 204,168	\$ 69,502	\$ 40,196	\$	342,077
Cash and cash equivalents	13,353	6,757	4,398	121		24,629
Investments	136	3,561	11,587			15,284
Receivables:						
Interest	10	24	956	7		997
Other	7,037	352	332	683		8,404
Due from other governments	5,117	60,933	65,164	249		131,463
Due from other funds	5,944	7,937	9,314	44		23,239
Inventories		1,460	384			1,844
Prepaid items			163			163
Loans receivable, net			2,841			2,841
Loans to other funds	36	99	71	361		567
Total Assets	\$ 59,844	\$ 285,291	\$ 164,712	\$ 41,661	\$	551,508
Liabilities						
Warrants payable	\$ 3,788	\$ 16,590	\$ 27,369	\$ 849	\$	48,596
Accounts payable and accruals	8,081	54,482	27,812	477		90,852
Contracts payable						
Due to other governments	756	16,801	3,329	16		20,902
Due to other funds	14,279	6,572	7,209	156		28,216
Due to component units	336	229	208			773
Unearned revenues	2,888	20,698	3,403			26,989
Other liabilities				337		337
Total Liabilities	30,128	115,372	69,330	1,835		216,665
Fund Balances						
Reserved for:						
Education and vocational training						
Ellisville State School	2,025					2,025
Encumbrances	1,635	11,393	7,141	336		20,505
Inventories		1,460	384			1,844
Loans to other funds	36	99	71	361		567
Long-term portion of due from other governments			6,166			6,166
Long-term portion of loans receivable			1,893			1,893
Prepaid items			163			163
Wildlife conservation						
Unreserved:						
Designated for disaster recovery		143,000				143,000
Designated for energy programs			4,342			4,342
Designated for future capital projects						
Designated for future loans			11,086			11,086
Undesignated	26,020	13,967	64,136	39,129		143,252
Total Fund Balances	29,716	169,919	95,382	39,826		334,843
Total Liabilities and Fund Balances	\$ 59,844	\$ 285,291	\$ 164,712	\$ 41,661	\$	551,508

Capital Projects	Permanent	Totals
\$ 346,028	\$ 341	\$ 688,446
	1,211	25,840
62,620	51,253	129,157
301	662	1,960
	76	8,480
		131,463
		23,239
		1,844
		163
		2,841
2,522		3,089
<u>\$ 411,471</u>	<u>\$ 53,543</u>	<u>\$ 1,016,522</u>
\$ 3,534	\$	\$ 52,130
	31	90,883
22,165		22,165
		20,902
25	542	28,783
		773
		26,989
		337
<u>25,724</u>	<u>573</u>	<u>242,962</u>
	41,635	41,635
		2,025
		20,505
		1,844
2,522		3,089
		6,166
		1,893
		163
	7,473	7,473
		143,000
		4,342
383,225		383,225
		11,086
	3,862	147,114
<u>385,747</u>	<u>52,970</u>	<u>773,560</u>
<u>\$ 411,471</u>	<u>\$ 53,543</u>	<u>\$ 1,016,522</u>

Mississippi

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Nonmajor Special Revenue				Totals
	Health and Social Services	Law, Justice and Public Safety	Recreation and Resources Development	Regulation of Business and Professions	
Revenues					
Taxes:					
Gasoline and other motor fuel	\$	\$	\$ 8,800	\$	\$ 8,800
Other	5,729				5,729
Licenses, fees and permits	20,131	10,947	38,261	39,002	108,341
Federal government	132,034	715,337	792,536	478	1,640,385
Investment income	705	828	3,731	401	5,665
Charges for sales and services	2,438	7,942	16,488	148	27,016
Rentals	2	63	3,683	15	3,763
Other	38,914	6,112	1,100	338	46,464
Total Revenues	199,953	741,229	864,599	40,382	1,846,163
Expenditures					
Current:					
Education					
Health and social services	205,170				205,170
Law, justice and public safety		724,553			724,553
Recreation and resources development			842,407		842,407
Regulation of business and professions				35,841	35,841
Debt service:					
Principal	431	891			1,322
Interest and other fiscal charges	142	21			163
Capital outlay					
Total Expenditures	205,743	725,465	842,407	35,841	1,809,456
Excess of Revenues over (under) Expenditures	(5,790)	15,764	22,192	4,541	36,707
Other Financing Sources (Uses)					
Bonds and notes issued			948		948
Capital leases issued			150		150
Insurance recovery			10		10
Premiums on bonds issued					
Transfers in	39,014	27,019	7,722	75	73,830
Transfers out	(27,430)	(173,678)	(23,492)	(626)	(225,226)
Net Other Financing Sources (Uses)	11,584	(146,659)	(14,662)	(551)	(150,288)
Net Change in Fund Balances	5,794	(130,895)	7,530	3,990	(113,581)
Fund Balances - Beginning, as restated	23,922	300,814	87,852	35,836	448,424
Fund Balances - Ending	\$ 29,716	\$ 169,919	\$ 95,382	\$ 39,826	\$ 334,843

Capital Projects	Permanent	Totals
\$	\$	\$
		8,800
		5,729
	430	108,771
		1,640,385
13,138	2,575	21,378
		27,016
		3,763
2,721	789	49,974
15,859	3,794	1,865,816
86,529	114	86,643
		205,170
		724,553
	7	842,414
		35,841
		1,322
464		627
110,620		110,620
197,613	121	2,007,190
(181,754)	3,673	(141,374)
321,245		322,193
		150
3,500		3,510
17,474		17,474
33,373		107,203
(35,555)	(1,000)	(261,781)
340,037	(1,000)	188,749
158,283	2,673	47,375
227,464	50,297	726,185
\$ 385,747	\$ 52,970	\$ 773,560

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Nonmajor Enterprise Funds

Enterprise funds account for the operations of the state that provide goods or services to the general public on a user charge basis.

Nonmajor Enterprise Funds Descriptions

Fair Commission - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as operating transfers from the General Fund.

Veterans' Home Purchase Board - The **Veterans' Home Purchase Board Fund** provides home mortgage loans to qualified Mississippi veterans and accounts for administrative expenses of the Veterans' Home Purchase Board. Revenue is derived from interest earned on loans.

Veterans' Memorial Stadium Commission - The **Veterans' Memorial Stadium Commission Fund** accounts for operations of the Veterans' Memorial Stadium in Jackson. Funding is provided by admission fees and concessions.

Yellow Creek Inland Port Authority - The **Yellow Creek Inland Port Authority Fund** accounts for operations of a public port facility at the conjunction of the Tennessee River and Yellow Creek in Tishomingo County, Mississippi. All costs of operating this port are accounted for in this fund, including construction costs and the payment of maturing bond interest and principal. Funding is provided by gross receipts from port operations, proceeds from bond issues and interest income.

Department of Rehabilitation Services - The **AbilityWorks Fund** accounts for a statewide system of sheltered workshop facilities through which handicapped citizens receive work experience to prepare them for employment outside the AbilityWorks setting. Revenue is generated from the sale of goods and services and operating transfers from the rehabilitation services fund.

Department of Agriculture and Commerce - The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

Department of Finance and Administration - The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

Department of Corrections - The **Restaurants and Commissary Fund** accounts for operations of two restaurants and a commissary at the state penitentiary. The restaurants are maintained for the convenience of Department of Corrections penitentiary employees. Profits from the commissary are used for the special benefit of the penitentiary's residents. The **Prison Agricultural Enterprises Fund** accounts for a farming operation. Revenue sources include proceeds from the sale of row crops and rental income from leased land.

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

Department of
Rehabilitation
Services

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Assets					
Current assets:					
Equity in internal investment pool	\$ 2,746	\$ 9,999	\$ 109	\$	
Cash and cash equivalents	58	71	71	1,753	6,268
Receivables, net:					
Accounts	141	2	2	230	2,109
Interest		596			
Due from other governments					
Due from other funds	163				1,231
Due from component units					5
Inventories					187
Prepaid items		15		11	13
Loans and notes receivable		5,065			
Total Current Assets	3,108	15,748	182	1,994	9,813
Noncurrent assets:					
Loans and notes receivable		159,008			
Loans to other funds			2		
Capital assets, net	20,597	1,563	11,301	17,973	
Total Noncurrent Assets	20,597	160,571	11,303	17,973	
Total Assets	23,705	176,319	11,485	19,967	9,813
Liabilities					
Current liabilities:					
Warrants payable	91	144	22		
Accounts payable and other liabilities	251	7	20	1	1,768
Due to other governments	16				
Due to other funds		1	1	270	
Due to component units	11				
Deposits		1,472			
Unearned revenues	86				269
Lease obligations payable					
Total Current Liabilities	455	1,624	43	271	2,037
Noncurrent liabilities:					
Due to other governments				8,991	
Loans from other funds				270	
Lease obligations payable					
Other liabilities	85	60	22	31	
Total Noncurrent Liabilities	85	60	22	9,292	
Total Liabilities	540	1,684	65	9,563	2,037
Net Assets					
Invested in capital assets, net of related debt	20,597	1,563	11,301	17,973	
Unrestricted (deficit)	2,568	173,072	119	(7,569)	7,776
Total Net Assets	\$ 23,165	\$ 174,635	\$ 11,420	\$ 10,404	\$ 7,776

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections		
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises
						Totals
\$	37	\$	294	\$	764	\$ 13,949
	44			2,287		10,552
		7		789		3,280
						596
		103				103
		111			152	1,657
						5
	34	74		7	170	472
						39
						5,065
	115	589		3,083	1,086	35,718
						159,008
						2
	4,138	428		96	3,431	59,527
	4,138	428		96	3,431	218,537
	4,253	1,017		3,179	4,517	254,255
	8	89			15	369
	9	14		676	163	2,909
				83		99
		27		2,208		2,507
						11
						1,472
						355
					261	261
	17	130		2,967	439	7,983
						8,991
						270
					665	665
	36	28			134	396
	36	28			799	10,322
	53	158		2,967	1,238	18,305
	4,138	428		96	2,504	58,600
	62	431		116	775	177,350
\$	4,200	\$	859	\$	212	\$ 3,279
						\$ 235,950

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

Department of
Rehabilitation
Services

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Operating Revenues					
Charges for sales and services	\$ 5,227	\$	\$ 887	\$ 1,303	\$ 7,184
Investment income		8,336			
Rentals		47	588	801	
Fees		54			
Other	287	28	323		930
Total Operating Revenues	5,514	8,465	1,798	2,104	8,114
Operating Expenses					
Cost of sales and services	104				6,970
General and administrative	1,509	836	438	536	6,384
Contractual services	3,702	186	1,093	111	1,699
Commodities	439	26	285	72	34
Depreciation	556	36	427	816	
Other	18	13			
Total Operating Expenses	6,328	1,097	2,243	1,535	15,087
Operating Income (Loss)	(814)	7,368	(445)	569	(6,973)
Nonoperating Revenues					
Insurance recovery				12	
Gain on disposal of capital assets				74	
Investment income		344	3	18	48
Total Nonoperating Revenues		344	3	104	48
Nonoperating Expenses					
Loss on disposal of capital assets	3		5		
Interest				16	
Total Nonoperating Expenses	3		5	16	
Income (Loss) before Capital Contributions and Transfers	(817)	7,712	(447)	657	(6,925)
Capital Contributions	27				
Transfers In	177				7,689
Transfers Out	(18)				
Change in Net Assets	(631)	7,712	(447)	657	764
Total Net Assets - Beginning, as restated	23,796	166,923	11,867	9,747	7,012
Total Net Assets - Ending	\$ 23,165	\$ 174,635	\$ 11,420	\$ 10,404	\$ 7,776

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections		
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary		Prison Agricultural Enterprises
						Totals
\$	170	\$	826	\$	4,024	\$ 1,868
						\$ 21,489
	372					8,336
						2,051
						54
	3			5		1,576
	545		826	4,029		2,111
						33,506
	82			1,362		1,345
	474		443	524		559
	334		235	782		156
	99		56	320		752
	110		27	34		201
	4					35
	1,103		761	3,022		3,013
	(558)		65	1,007		(902)
						(683)
			4			16
						74
			3	33		449
			7	33		539
			7			52
						6
						67
						22
			7			58
						89
	(558)		65	1,040		(960)
	33		235			
	479			44		912
			(74)	(1,343)		
						(1,435)
	(46)		226	(259)		(48)
						7,928
	4,246		633	471		3,327
						228,022
\$	4,200	\$	859	\$	212	\$ 3,279
						\$ 235,950

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

Department of Rehabilitation Services

	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Cash Flows from Operating Activities					
Cash receipts from customers	\$ 5,334	\$ 103	\$ 1,472	\$ 2,150	\$ 6,819
Cash payments to suppliers for goods and services	(4,080)	(302)	(1,365)	(192)	(8,377)
Cash payments to employees for services	(1,475)	(817)	(447)	(519)	(6,382)
Other operating cash receipts		65	323		930
Principal and interest received on program loans		22,637			
Issuance of program loans		(22,717)			
Net Cash Provided by (Used for) Operating Activities	(221)	(1,031)	(17)	1,439	(7,010)
Cash Flows from Noncapital Financing Activities					
Transfers in	177				7,689
Transfers out	(18)				
Net Cash Provided by (Used for) Noncapital Financing Activities	159				7,689
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	(62)		(12)	(637)	
Proceeds from sale of capital assets				102	
Proceeds from capital lease					
Principal paid on bonds and capital assets contracts				(260)	
Interest paid on bonds and capital assets contracts				(16)	
Proceeds from insurance recovery				12	
Net Cash Provided by (Used for) Capital and Related Financing Activities	(62)		(12)	(799)	
Cash Flows from Investing Activities					
Investment income		351	3	18	48
Net Cash Provided by Investing Activities		351	3	18	48
Net Increase (Decrease) in Cash and Cash Equivalents	(124)	(680)	(26)	658	727
Cash and Cash Equivalents - Beginning, as restated	2,928	10,750	206	1,095	5,541
Cash and Cash Equivalents - Ending	\$ 2,804	\$ 10,070	\$ 180	\$ 1,753	\$ 6,268

Department of Agriculture and Commerce		Department of Finance and Administration		Department of Corrections	
Agriculture and Forestry Museum		Office of Surplus Property		Restaurants and Commissary	Prison Agricultural Enterprises
					Totals
\$	545	\$	864	\$ 3,678	\$ 2,112 \$ 23,077
	(548)		(313)	(1,359)	(2,144) (18,680)
	(477)		(436)	(521) 5	(592) (11,666) 1,323
					22,637 (22,717)
	(480)		115	1,803	(624) (6,026)
	479		(74)	44 (1,343)	1,013 9,402 (1,435)
	479		(74)	(1,299)	1,013 7,967
				(19)	(840) (1,570) 102
					817 817
					(105) (365)
					(6) (22) 16
			4		
			4	(19)	(134) (1,022)
			3	33	456
			3	33	456
	(1)		48	518	255 1,375
	82		246	1,769	509 23,126
\$	81	\$	294	\$ 2,287	\$ 764 \$ 24,501

(Continued on Next Page)

Mississippi

Nonmajor Enterprise Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

					Department of Rehabilitation Services
	Fair Commission	Veterans' Home Purchase Board	Veterans' Memorial Stadium Commission	Yellow Creek Inland Port Authority	AbilityWorks
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$ (814)	\$ 7,368	\$ (445)	\$ 569	\$ (6,973)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	556	36	427	816	
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable, net	(25)	59	(2)	46	(89)
Interest receivable		(2)			
Due from other governments	2				
Due from other funds	(101)				(272)
Due from component units	1				(5)
Inventories					6
Prepaid items		(14)		8	3
Loans and notes receivable		(8,280)			
Increase (decrease) in liabilities:					
Warrants payable	25	(139)	4		
Accounts payable and other liabilities	166	(56)	(1)		320
Due to other governments	16				
Due to other funds	(1)	(3)			
Due to component units	11				
Unearned revenues	(57)				
Total adjustments	593	(8,399)	428	870	(37)
Net Cash Provided by (Used for) Operating Activities	\$ (221)	\$ (1,031)	\$ (17)	\$ 1,439	\$ (7,010)
Noncash Capital and Related Financing Activities					
Capital contributions	27				
Gain (loss) on disposal of capital assets	(3)		(5)	74	

Department of Agriculture and Commerce	Department of Finance and Administration	Department of Corrections		
Agriculture and Forestry Museum	Office of Surplus Property	Restaurants and Commissary	Prison Agricultural Enterprises	Totals
\$ (558)	\$ 65	\$ 1,007	\$ (902)	\$ (683)
110	27	34	201	2,207
	130	(345)		(226)
	(6)			(2)
	(86)			(4)
				(459)
	(55)	304	(32)	(4)
		188		223
				185
				(8,280)
	76		7	(27)
(32)	(62)	144	102	581
	27	487		16
	(1)	(16)		510
				(6)
				(57)
78	50	796	278	(5,343)
\$ (480)	\$ 115	\$ 1,803	\$ (624)	\$ (6,026)

33	235		295
	(7)	(52)	7

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Internal Service Funds

Internal service funds account for the operations of state agencies that provide services or goods to other state agencies or governmental units on a cost reimbursement basis.

Internal Service Funds Descriptions

Personnel Board - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees and testing and validating new hires. Revenues consist of assessments charged to state agencies based on the number of authorized positions.

Information Technology Services - The **Information Technology Services Fund** accounts for the centralized data processing and information devices, expenses related to planning and policies for the development of data processing capabilities and for the state's central telephone system, the universities' central telephone systems and other governmental units' telephone systems. Revenues consist of charges to user agencies, universities and governmental units for services and equipment. Other revenue consists of commissions from the usage of public utility companies' pay telephones located on state properties.

Department of Finance and Administration - The **Risk Management Fund** accounts for resources and transactions pertaining to the state's self-insured medical plan and life insurance program as mandated by state law to be offered to state and public education employees. Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. This fund also accounts for unemployment benefits paid to eligible former state employees and for resources and transactions pertaining to the state's self-insured workers' compensation program. Funding is provided by premiums collected from the state's operating fund and participating state agencies. In addition, the fund accounts for resources and transactions pertaining to the state's self-insured tort claims program. Funding is provided by assessment of state agencies. Tort claims filed against the state agencies and state employees are paid from this fund, as well as administrative expenses.

Mississippi

Internal Service Funds

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Assets				
Current assets:				
Equity in internal investment pool	\$ 2,963	\$ 10,261	\$ 228,859	\$ 242,083
Cash and cash equivalents			62,243	62,243
Receivables:				
Accounts	4	27	20	51
Interest			428	428
Due from other governments	1	19	3	23
Due from other funds	162	2,569	1,037	3,768
Due from component units		53	9	62
Total Current Assets	3,130	12,929	292,599	308,658
Noncurrent assets:				
Investments			29,513	29,513
Loans to other funds	33	122	14,007	14,162
Capital assets, net	12	5,146	94	5,252
Total Noncurrent Assets	45	5,268	43,614	48,927
Total Assets	3,175	18,197	336,213	357,585
Liabilities				
Current liabilities:				
Warrants payable	94	366	1,275	1,735
Accounts payable and other liabilities	108	2,512	5,029	7,649
Due to other funds	2	41	550	593
Due to component units	7		1	8
Claims and benefits payable			138,076	138,076
Unearned revenues			3,536	3,536
Lease obligations payable		20		20
Total Current Liabilities	211	2,939	148,467	151,617
Noncurrent liabilities:				
Lease obligations payable		43		43
Other liabilities	251	819	140	1,210
Total Noncurrent Liabilities	251	862	140	1,253
Total Liabilities	462	3,801	148,607	152,870
Net Assets				
Invested in capital assets, net of related debt	12	5,015	94	5,121
Unrestricted	2,701	9,381	187,512	199,594
Total Net Assets	\$ 2,713	\$ 14,396	\$ 187,606	\$ 204,715

Mississippi

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

			Department of Finance and Administration	
	Personnel Board	Information Technology Services	Risk Management	Totals
Operating Revenues				
Charges for sales and services/premiums	\$ 5,932	\$ 31,745	\$ 732,639	\$ 770,316
Other	1	4	12	17
Total Operating Revenues	5,933	31,749	732,651	770,333
Operating Expenses				
General and administrative	3,421	10,410	1,854	15,685
Contractual services	1,685	19,429	47,573	68,687
Commodities	241	395	72	708
Depreciation	3	1,960	11	1,974
Claims and benefits			625,343	625,343
Total Operating Expenses	5,350	32,194	674,853	712,397
Operating Income (Loss)	583	(445)	57,798	57,936
Nonoperating Revenues				
Investment income			12,899	12,899
Total Nonoperating Revenues			12,899	12,899
Nonoperating Expenses				
Loss on disposal of assets		267		267
Interest		5		5
Total Nonoperating Expenses		272		272
Income (Loss) before Capital Contributions and Transfers	583	(717)	70,697	70,563
Capital Contributions		551	14	565
Transfers In		300	253	553
Transfers Out		(20)	(1,609)	(1,629)
Change in Net Assets	583	114	69,355	70,052
Total Net Assets - Beginning, as restated	2,130	14,282	118,251	134,663
Total Net Assets - Ending	\$ 2,713	\$ 14,396	\$ 187,606	\$ 204,715

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Cash Flows from Operating Activities				
Cash receipts/premiums from interfund services provided	\$ 5,851	\$ 31,894	\$ 175,310	\$ 213,055
Cash receipts/premiums from customers	82	614	561,940	562,636
Cash payments to suppliers for goods and services	(2,064)	(18,653)	(46,575)	(67,292)
Cash payments to employees for services	(3,366)	(10,269)	(1,808)	(15,443)
Cash payments for claims and benefits			(613,311)	(613,311)
Other operating cash receipts	1	4	2	7
Net Cash Provided by Operating Activities	504	3,590	75,558	79,652
Cash Flows From Noncapital Financing Activities				
Transfers in		320	237	557
Transfers out		(20)	(1,609)	(1,629)
Principal paid on notes		(60)		(60)
Interest paid on notes		(1)		(1)
Net Cash Provided by (Used for) Noncapital Financing Activities		239	(1,372)	(1,133)
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(5)	(2,276)		(2,281)
Principal paid on capital assets contracts		(19)		(19)
Interest paid on capital assets contracts		(4)		(4)
Net Cash Used for Capital and Related Financing Activities	(5)	(2,299)		(2,304)
Cash Flows from Investing Activities				
Proceeds from sales of investments			3,134	3,134
Purchases of investments			(3,091)	(3,091)
Investment income			12,949	12,949
Net Cash Provided by Investing Activities			12,992	12,992
Net Increase in Cash and Cash Equivalents	499	1,530	87,178	89,207
Cash and Cash Equivalents - Beginning, as restated	2,464	8,731	203,924	215,119
Cash and Cash Equivalents - Ending	\$ 2,963	\$ 10,261	\$ 291,102	\$ 304,326

(Continued on Next Page)

Mississippi

Internal Service Funds

Combining Statement of Cash Flows

For the Year Ended June 30, 2008 (Expressed in Thousands)

(Continued from Previous Page)

	Department of Finance and Administration			
	Personnel Board	Information Technology Services	Risk Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 583	\$ (445)	\$ 57,798	\$ 57,936
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3	1,960	11	1,974
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1	(10)	(11)	(20)
Due from other governments	1	8	(4)	5
Due from other funds	(1)	714	2,583	3,296
Due from component units	1	36	27	64
Increase (decrease) in liabilities:				
Warrants payable	(46)	(146)	988	796
Accounts payable and other liabilities	(20)	1,432	466	1,878
Due to other governments	(20)			(20)
Due to other funds	(5)	41	(609)	(573)
Due to component units	7		(2)	5
Claims and benefits payable			12,305	12,305
Unearned revenues			2,006	2,006
Total adjustments	(79)	4,035	17,760	21,716
Net Cash Provided by Operating Activities	\$ 504	\$ 3,590	\$ 75,558	\$ 79,652

Noncash Capital and Related Financing and Investing Activities

Capital contributions	551	14	565
Loss on disposal of capital assets	267		267
Change in market value of investments		791	791

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Fiduciary funds account for assets held in a trustee or agency capacity for others and cannot be used to support government's own programs.

Fiduciary Funds Descriptions

Pension Trust Funds

Public Employees' Retirement System - The **Public Employees' Retirement System Fund** provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to sworn officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firefighters and police officers of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees' Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income. The **Deferred Compensation Plan Fund** accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. These deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

Agency Funds

The **Local Government Distributive Fund** serves as a clearing mechanism for funds distributed to the various counties and municipalities of the state. The **Program Fund** accounts for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals. The **Institutional Fund** accounts for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

Mississippi

Pension Trust Funds

Combining Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Assets			
Equity in internal investment pool	\$ 868	\$	\$
Cash and cash equivalents	244,032	3,508	2,543
Investments, at fair value:			
Short-term securities	282,735	4,067	2,949
Long-term debt securities	4,440,149	63,873	46,312
Equity securities	13,350,764	192,057	139,252
Real estate investments	882,606	12,697	9,205
Asset allocation fund			
Fixed rate and variable			
Life insurance contracts			
Securities lending:			
Short-term securities	1,703,284	24,568	17,813
Long-term debt securities	3,673,927	52,992	38,422
Receivables:			
Employer contributions	48,216		306
Employee contributions	29,251		9
Investment proceeds	617,818	8,888	6,444
Interest and dividends	89,178	1,283	930
Other	469	518	3
Due from other funds	1		
Capital assets, net	16,310		
Total Assets	25,379,608	364,451	264,188
Liabilities			
Warrants payable	360		
Accounts payable and accruals	713,951	10,220	7,417
Due to other funds	14		6
Amounts held in custody for others	1,138		
Obligations under securities lending	5,413,076	78,077	56,610
Total Liabilities	6,128,539	88,297	64,033
Net Assets			
Held in trust for pension benefits	\$ 19,251,069	\$ 276,154	\$ 200,155

Supplemental Legislative Retirement Plan	Government Employees' Deferred Compensation Plan	Totals
\$	\$	\$
158	2,712	868
		252,953
183	24,110	314,044
2,877	32,819	4,586,030
8,649	512,998	14,203,720
572		905,080
	49,797	49,797
	428,577	428,577
	425	425
1,106		1,746,771
2,386		3,767,727
		48,522
	4,548	33,808
400		633,550
58	204	91,653
		990
		1
		16,310
16,389	1,056,190	27,080,826
		360
461	198	732,247
	1	21
		1,138
3,516		5,551,279
3,977	199	6,285,045
\$	\$	\$
12,412	1,055,991	20,795,781

Mississippi

Pension Trust Funds

Combining Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Employees' Retirement System	Mississippi Highway Safety Patrol Retirement System	Municipal Retirement Systems
Additions			
Contributions:			
Employer	\$ 683,189	\$ 9,253	\$ 15,900
Employee	417,119	1,985	176
Total Contributions	1,100,308	11,238	16,076
Net Investment Income:			
Net decrease in fair value of investments	(2,308,419)	(33,296)	(24,142)
Interest and dividends	620,241	8,946	6,486
Securities lending:			
Income from securities lending	201,567	2,908	2,108
Interest expense and trading costs from securities lending	(203,104)	(2,929)	(2,124)
Managers' fees and trading costs	(35,719)	(515)	(374)
Net Investment Loss	(1,725,434)	(24,886)	(18,046)
Other Additions:			
Administrative fees	633		
Other	4	3,156	
Total Other Additions	637	3,156	
Total Additions (Reductions)	(624,489)	(10,492)	(1,970)
Deductions			
Retirement annuities	1,393,175	20,295	35,870
Refunds to terminated employees	72,750	26	
Administrative expenses	11,078	185	439
Depreciation	455		
Total Deductions	1,477,458	20,506	36,309
Change in Net Assets	(2,101,947)	(30,998)	(38,279)
Net Assets - Beginning	21,353,016	307,152	238,434
Net Assets - Ending	\$ 19,251,069	\$ 276,154	\$ 200,155

Supplemental Legislative Retirement Plan		Government Employees' Deferred Compensation Plan		Totals
\$	449	\$		\$ 708,791
	203		91,901	511,384
	652		91,901	1,220,175
	(1,499)		(60,481)	(2,427,837)
	404		19,875	655,952
	130			206,713
	(132)			(208,289)
	(23)			(36,631)
	(1,120)		(40,606)	(1,810,092)
				633
				3,160
				3,793
	(468)		51,295	(586,124)
	845		54,039	1,504,224
	14			72,790
	9			11,711
				455
	868		54,039	1,589,180
	(1,336)		(2,744)	(2,175,304)
	13,748		1,058,735	22,971,085
\$	12,412	\$	1,055,991	\$ 20,795,781

Mississippi

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Local Government Distributive	Program	Institutional	Totals
Assets				
Equity in internal investment pool	\$ 971	\$ 4,466	\$	\$ 5,437
Cash and cash equivalents	161	5,274	6,986	12,421
Receivables, net:				
Other	359		57	416
Loans to other funds		1,361		1,361
Commodity inventory		1,468		1,468
Total Assets	<u>\$ 1,491</u>	<u>\$ 12,569</u>	<u>\$ 7,043</u>	<u>\$ 21,103</u>
Liabilities				
Warrants payable	\$ 282	\$ 296	\$	\$ 578
Accounts payable and accruals		178	775	953
Due to other governments	1,209	1		1,210
Amounts held in custody for others		12,094	6,268	18,362
Total Liabilities	<u>\$ 1,491</u>	<u>\$ 12,569</u>	<u>\$ 7,043</u>	<u>\$ 21,103</u>

Mississippi

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Fund	Assets					
	Equity in Internal Investment Pool	Cash and Cash Equivalents	Receivables	Loans to Other Funds	Commodity Inventory	Total Assets
Local Government Distributive:						
Balance - Beginning	\$ 4,698	\$ 209	\$ 333	\$	\$	\$ 5,240
Additions	30,840	250	359			31,449
Deductions	34,567	298	333			35,198
Balance - Ending	971	161	359			1,491
Program:						
Balance - Beginning	5,238	8,861		1,361	436	15,896
Additions	21,685	37,026			14,911	73,622
Deductions	22,457	40,613			13,879	76,949
Balance - Ending	4,466	5,274		1,361	1,468	12,569
Institutional:						
Balance - Beginning		6,850	35			6,885
Additions		26,486	82			26,568
Deductions		26,350	60			26,410
Balance - Ending		6,986	57			7,043
Total - All Agency Funds:						
Balance - Beginning	9,936	15,920	368	1,361	436	28,021
Additions	52,525	63,762	441		14,911	131,639
Deductions	57,024	67,261	393		13,879	138,557
Balance - Ending	\$ 5,437	\$ 12,421	\$ 416	\$ 1,361	\$ 1,468	\$ 21,103
Liabilities						
	Warrants		Accounts	Amounts Held		Total
	Payable	Payable	and Accruals	Due to Other	In Custody	
				Governments	for Others	Liabilities
Local Government Distributive:						
Balance - Beginning	\$ 4,003	\$	\$	1,237	\$	\$ 5,240
Additions	27,264			1,492		28,756
Deductions	30,985			1,520		32,505
Balance - Ending	282			1,209		1,491
Program:						
Balance - Beginning	322	298		1	15,275	15,896
Additions	2,902	18,881			51,655	73,438
Deductions	2,928	19,001			54,836	76,765
Balance - Ending	296	178		1	12,094	12,569
Institutional:						
Balance - Beginning		1,347			5,538	6,885
Additions		614			25,191	25,805
Deductions		1,186			24,461	25,647
Balance - Ending		775			6,268	7,043
Total - All Agency Funds:						
Balance - Beginning	4,325	1,645		1,238	20,813	28,021
Additions	30,166	19,495		1,492	76,846	127,999
Deductions	33,913	20,187		1,520	79,297	134,917
Balance - Ending	\$ 578	\$ 953	\$	1,210	\$ 18,362	\$ 21,103

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Nonmajor Component Units

Component Units are organizations which are legally separate from the state for which the state is financially accountable, or for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Nonmajor Component Units Descriptions

Mississippi Business Finance Corporation - The corporation coordinates and oversees the delivery of services to small business communities of Mississippi.

Mississippi Coast Coliseum Commission - The commission accounts for the promoting, developing, maintenance and operation of a multi-purpose coliseum and related facilities located in Harrison County, Mississippi.

Mississippi Development Bank - The bank fosters and promotes the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units.

Mississippi Prison Industries Corporation - The corporation accounts for a printing and book bindery operation, a garment and glove operation, a woodworking operation, and an equine tack operation. Revenue is generated from the charges for goods and services.

Pat Harrison Waterway District - The district accounts for resources used to bring about the full beneficial use of surface and overflow waters of the Pascagoula River Basin.

Pearl River Basin Development District - The district accounts for resources used to preserve, conserve, store and regulate the waters of the Pearl River and its tributaries and their overflows.

Pearl River Valley Water Supply District - The district accounts for the operation and maintenance of the Ross Barnett Reservoir and surrounding lands, to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District - The district accounts for the development and conservation of the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie.

Mississippi

Nonmajor Component Units

Combining Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Mississippi Business Finance Corporation	Mississippi Coast Coliseum Commission	Mississippi Development Bank
Assets			
Current assets:			
Equity in internal investment pool	\$ 1,806	\$	\$
Cash and cash equivalents	1,790	1,134	830
Investments	10,876	2,134	726
Receivables, net	193	2,453	9
Due from other governments		4,093	
Due from primary government		102	
Inventories			
Prepaid items		202	
Other assets			
Total Current Assets	14,665	10,118	1,565
Noncurrent assets:			
Restricted assets:			
Investments		6,979	
Capital assets, net	49	70,413	26
Total Noncurrent Assets	49	77,392	26
Total Assets	14,714	87,510	1,591
Liabilities			
Current liabilities:			
Accounts payable and other liabilities	60	1,219	
Due to primary government			
Deposits	201	473	
Notes payable		902	
Unearned revenues		3,038	
Lease obligations payable		65	
Total Current Liabilities	261	5,697	
Noncurrent liabilities:			
Notes payable			
Other liabilities	60		
Total Noncurrent Liabilities	60		
Total Liabilities	321	5,697	
Net Assets			
Invested in capital assets, net of related debt	49	69,446	26
Restricted for other purposes		7,000	
Unrestricted	14,344	5,367	1,565
Total Net Assets	\$ 14,393	\$ 81,813	\$ 1,591

Mississippi Prison Industries Corporation	Pat Harrison Waterway District	Pearl River Basin Development District	Pearl River Valley Water Supply District	Tombigbee River Valley Water Management District	Totals
\$	\$	\$	\$	\$	\$
743	1,811	440	5,438	5,634	1,806
3,242	4,682	4,017			17,820
293	111	29	1,307	166	25,677
	51	206		44	4,561
329		1			4,394
455	17			17	432
21					489
5					223
5,088	6,672	4,693	6,745	5,861	5
					55,407
					6,979
4,454	7,973	2,967	38,954	5,233	130,069
4,454	7,973	2,967	38,954	5,233	137,048
9,542	14,645	7,660	45,699	11,094	192,455
369	1,592	26	941	11	4,218
	2		7		9
			219		893
	37		150		1,089
		25			3,063
					65
369	1,631	51	1,317	11	9,337
	387		760		1,147
	169	29	25	65	348
	556	29	785	65	1,495
369	2,187	80	2,102	76	10,832
4,454	7,550	2,967	38,044	5,233	127,769
	1,449	3,963			12,412
4,719	3,459	650	5,553	5,785	41,442
\$ 9,173	\$ 12,458	\$ 7,580	\$ 43,597	\$ 11,018	\$ 181,623

Mississippi

Nonmajor Component Units

Combining Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Mississippi Business Finance Corporation	\$ 958	\$ 1,416	\$	\$	\$ 458
Mississippi Coast Coliseum Commission	7,172	6,070	34,504		33,402
Mississippi Development Bank	32	429			397
Mississippi Prison Industries Corporation	8,069	8,468	351		750
Pat Harrison Waterway District	5,906	2,930	2,635		(341)
Pearl River Basin Development District	1,219	128	211		(880)
Pearl River Valley Water Supply District	10,838	11,396		362	920
Tombigbee River Valley Water Management District	1,641	229			(1,412)
Total	\$ 35,835	\$ 31,066	\$ 37,701	\$ 362	\$ 33,294

General Revenues					
Investment Income	Other	Change in Net Assets	Net Assets - Beginning	Net Assets - Ending	
\$ 717	\$	\$ 1,175	\$ 13,218	\$ 14,393	
651		34,053	47,760	81,813	
55		452	1,139	1,591	
37		787	8,386	9,173	
245	7	(89)	12,547	12,458	
194	923	237	7,343	7,580	
137		1,057	42,540	43,597	
246	1,562	396	10,622	11,018	
\$ 2,282	\$ 2,492	\$ 38,068	\$ 143,555	\$ 181,623	

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Mississippi

Statistical Section

The Statistical Section provides additional historical perspective, context, and detail to assist financial statement users in understanding the State of Mississippi's overall financial health.

Financial Trends

These tables contain trend information to help users in understanding how the State's financial position has changed over time.

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Revenue Capacity

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Debt Capacity

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Demographic and Economic Information

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Operating Information

These tables contain information about the State's operations and resources to help users understand how the State's financial information relates to the services the State provides and the activities it performs.

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Mississippi

Net Assets by Component

Table 1

Last Seven Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Governmental activities				
Invested in capital assets, net of related debt	\$ 10,651,052	\$ 9,770,760	\$ 8,883,410	\$ 8,306,585
Restricted	667,456	477,321	427,128	336,262
Unrestricted (deficit)	79,396	575,042	159,530	(120,923)
Total governmental activities net assets	\$ 11,397,904	\$ 10,823,123	\$ 9,470,068	\$ 8,521,924
Business-type activities				
Invested in capital assets, net of related debt	\$ 161,144	\$ 136,836	\$ 112,393	\$ 143,055
Restricted	778,010	784,367	789,759	807,059
Unrestricted	209,175	243,751	209,745	169,590
Total business-type activities net assets	\$ 1,148,329	\$ 1,164,954	\$ 1,111,897	\$ 1,119,704
Primary Government				
Invested in capital assets, net of related debt	\$ 10,812,196	\$ 9,907,596	\$ 8,995,803	\$ 8,449,640
Restricted	1,445,466	1,261,688	1,216,887	1,143,321
Unrestricted	288,571	818,793	369,275	48,667
Total primary government net assets	\$ 12,546,233	\$ 11,988,077	\$ 10,581,965	\$ 9,641,628

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002. This table has been restated for prior period adjustments.

2004	2003	2002
\$ 7,915,868	\$ 7,173,292	\$ 6,727,606
476,794	636,014	601,879
(122,396)	568,556	747,945
\$ 8,270,266	\$ 8,377,862	\$ 8,077,430

\$ 138,166	\$ 133,594	\$ 120,320
750,915	739,605	787,669
157,241	132,382	123,491
\$ 1,046,322	\$ 1,005,581	\$ 1,031,480

\$ 8,054,034	\$ 7,306,886	\$ 6,847,926
1,227,709	1,375,619	1,389,548
34,845	700,938	871,436
\$ 9,316,588	\$ 9,383,443	\$ 9,108,910

Mississippi

Changes in Net Assets

Table 2

Last Seven Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Expenses				
Governmental activities:				
General government	\$ 1,995,778	\$ 1,803,339	\$ 1,826,995	\$ 1,683,021
Education	4,163,587	3,961,573	3,668,314	3,344,598
Health and social services	5,609,247	5,311,270	5,180,153	5,074,151
Law, justice and public safety ¹	1,173,359	1,152,359	1,384,238	566,146
Recreation and resource development ²	1,216,521	1,932,646	364,796	423,983
Regulation of business and professions	36,318	33,192	30,944	30,355
Transportation	635,299	581,446	728,716	531,775
Interest on long-term debt	196,277	167,233	150,556	150,555
Total governmental activities expenses	15,026,386	14,943,058	13,334,712	11,804,584
Business-type activities:				
Unemployment compensation	143,013	143,348	242,134	138,825
Port Authority at Gulfport	12,614	10,349	17,221	14,957
Prepaid affordable college tuition	40,972	38,391	29,983	33,226
Other business-type	34,204	37,559	49,737	45,560
Total business-type activities expenses	230,803	229,647	339,075	232,568
Total primary government expenses	\$ 15,257,189	\$ 15,172,705	\$ 13,673,787	\$ 12,037,152
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,135,546	\$ 1,059,532	\$ 944,744	\$ 1,041,597
Education	27,838	33,991	29,784	24,857
Health and social services	507,876	480,944	446,315	465,923
Law, justice and public safety	100,206	147,360	81,807	76,864
Recreation and resources development	85,610	69,949	64,182	60,230
Regulation of business and professions	39,491	36,173	28,223	32,315
Transportation	40,243	35,192	26,762	29,477
Operating grants and contributions ³	6,462,823	7,125,688	6,058,258	4,636,824
Capital grants and contributions	795,572	960,369	792,929	415,530
Total governmental activities program revenues	9,195,205	9,949,198	8,473,004	6,783,617
Business-type activities:				
Charges for services:				
Unemployment compensation	100,840	106,256	104,548	158,695
Port Authority at Gulfport	22,569	30,166	7,609	21,892
Prepaid affordable college tuition	21,121	21,343	21,513	19,679
Other business-type	33,522	37,083	40,644	37,604
Operating grants and contributions ⁴	10,069	9,745	93,156	5,905
Capital grants and contributions	1,838	3,900	539	159
Total business-type activities program revenues	189,959	208,493	268,009	243,934
Total primary government program revenues	\$ 9,385,164	\$ 10,157,691	\$ 8,741,013	\$ 7,027,551
Net (Expense) Revenue				
Governmental activities	\$ (5,831,181)	\$ (4,993,860)	\$ (4,861,708)	\$ (5,020,967)
Business-type activities	(40,844)	(21,154)	(71,066)	11,366
Total primary government net expense	\$ (5,872,025)	\$ (5,015,014)	\$ (4,932,774)	\$ (5,009,601)

2004	2003	2002
\$ 1,648,142	\$ 1,453,788	\$ 1,082,176
3,292,951	3,139,812	2,959,707
4,776,214	4,290,392	4,219,675
549,662	517,753	509,295
461,243	465,393	379,325
34,269	32,059	29,960
516,130	443,155	433,730
149,764	145,345	179,102
11,428,375	10,487,697	9,792,970
198,147	251,010	218,517
13,879	13,339	11,223
12,253	4,778	12,528
44,194	41,421	39,912
268,473	310,548	282,180
\$ 11,696,848	\$ 10,798,245	\$ 10,075,150

\$ 842,566	\$ 806,664	\$ 491,132
20,925	25,639	29,399
420,116	477,577	542,157
68,089	60,811	58,130
57,470	58,247	55,919
37,170	35,397	29,364
38,299	44,136	50,540
4,553,738	4,066,898	3,812,409
389,686	410,636	391,670
6,428,059	5,986,005	5,460,720

149,726	118,671	177,048
21,578	20,931	19,706
551	1,938	488
35,125	31,065	29,882
31,930	53,006	30,002
278	903	13,257
239,188	226,514	270,383
\$ 6,667,247	\$ 6,212,519	\$ 5,731,103

\$ (5,000,316)	\$ (4,501,692)	\$ (4,332,250)
(29,285)	(84,034)	(11,797)
\$ (5,029,601)	\$ (4,585,726)	\$ (4,344,047)

(Continued on Next Page)

Mississippi

Changes in Net Assets

Table 2

Last Seven Fiscal Years

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Sales and use ⁵	\$ 3,166,130	\$ 3,161,005	\$ 3,075,657	\$ 2,626,792
Gasoline and other motor fuel	438,676	444,489	442,190	433,307
Individual income	1,503,869	1,501,334	1,204,055	1,243,192
Corporate income and franchise	500,996	469,182	425,091	365,140
Insurance	194,129	192,861	169,727	165,955
Other	459,483	397,515	385,810	362,526
Gain on sale of assets			585	2,964
Investment income	145,465	184,500	122,553	79,306
Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery			(9,871)	
Transfers	(2,786)	(3,971)	(5,945)	(6,557)
Total governmental activities	6,405,962	6,346,915	5,809,852	5,272,625
Business-type activities:				
Gain on sale of assets			7	
Investment income	21,433	70,240	55,974	55,459
Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery			1,333	
Transfers	2,786	3,971	5,945	6,557
Total business-type activities	24,219	74,211	63,259	62,016
Total primary government	\$ 6,430,181	\$ 6,421,126	\$ 5,873,111	\$ 5,334,641
Change in Net Assets				
Governmental activities	\$ 574,781	\$ 1,353,055	\$ 948,144	\$ 251,658
Business-type activities	(16,625)	53,057	(7,807)	73,382
Total primary government	\$ 558,156	\$ 1,406,112	\$ 940,337	\$ 325,040

Notes: The State did not begin reporting government-wide statements until it implemented GASB Statement 34 in fiscal year 2002. This table has been restated for prior period adjustments.

¹ Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

² Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

³ Operating grants and contributions increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

⁴ Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

⁵ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

	2004	2003	2002
\$	2,459,718	\$ 2,418,763	\$ 2,378,956
	432,892	418,941	409,536
	1,039,488	1,084,999	989,877
	320,057	289,441	255,532
	160,757	149,458	131,763
	352,800	348,744	302,479
	534	296	420
	130,767	92,243	42,572
	(4,293)	(761)	(11,025)
	4,892,720	4,802,124	4,500,110
	65,733	57,374	45,890
	4,293	761	11,025
	70,026	58,135	56,915
\$	4,962,746	\$ 4,860,259	\$ 4,557,025
\$	(107,596)	\$ 300,432	\$ 167,860
	40,741	(25,899)	45,118
\$	(66,855)	\$ 274,533	\$ 212,978

Mississippi

Fund Balances of Governmental Funds

Last Seven Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
General Fund				
Reserved	\$ 833,922	\$ 864,522	\$ 702,417	\$ 709,505
Unreserved	1,822,412	1,625,064	1,253,819	715,549
Total General Fund	<u>\$ 2,656,334</u>	<u>\$ 2,489,586</u>	<u>\$ 1,956,236</u>	<u>\$ 1,425,054</u>
All Other Governmental Funds				
Reserved	\$ 325,180	\$ 317,053	\$ 306,171	\$ 308,032
Unreserved, reported in:				
Special revenue funds	568,091	769,769	427,942	469,379
Capital project funds	383,225	224,942	250,799	191,010
Debt service funds			49,385	41,818
Permanent funds	3,862	2,398	1,003	2,104
Total All Other Governmental Funds	<u>\$ 1,280,358</u>	<u>\$ 1,314,162</u>	<u>\$ 1,035,300</u>	<u>\$ 1,012,343</u>

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

2004	2003	2002
\$ 593,863	\$ 576,966	\$ 612,098
875,888	868,595	1,169,275
\$ 1,469,751	\$ 1,445,561	\$ 1,781,373

\$ 68,051	\$ 59,196	\$ 64,206
787,576	708,736	709,541
321,678	400,602	407,681
47,008	107,782	65,213
3,210	4,037	3,427
\$ 1,227,523	\$ 1,280,353	\$ 1,250,068

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Seven Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

	2008	2007	2006	2005
Revenues				
Taxes				
Sales and use ¹	\$ 3,146,711	\$ 3,136,554	\$ 3,074,831	\$ 2,609,936
Gasoline and other motor fuel	437,810	445,876	443,150	432,023
Individual income	1,523,231	1,486,074	1,213,733	1,224,403
Corporate income and franchise	503,165	477,166	412,839	363,361
Insurance	194,129	192,861	169,727	165,955
Other	459,483	397,515	385,810	362,526
Licenses, fees and permits	547,844	499,787	448,482	444,257
Federal government ²	7,197,515	8,079,581	6,844,298	5,050,410
Investment income	132,566	174,142	118,888	76,874
Charges for sales and services	327,874	310,769	279,899	265,089
Rentals	24,353	18,559	13,004	19,564
Court assessments and settlements	139,803	159,131	113,135	209,541
Refund of prior year disaster payments		55,557		
Other	345,593	309,521	281,908	349,625
Total Revenues	14,980,077	15,743,093	13,799,704	11,573,564
Expenditures				
General government	1,430,623	1,345,200	1,379,847	1,227,277
Education	4,155,180	3,949,505	3,663,082	3,341,991
Health and social services	5,601,993	5,302,796	5,176,071	5,057,704
Law, justice and public safety ³	1,385,082	1,172,469	1,364,750	567,718
Recreation and resources development ⁴	1,203,801	1,926,281	351,801	410,624
Regulation of business and professions	35,841	33,364	30,981	30,574
Transportation	1,178,966	1,390,677	1,284,905	911,974
Debt service				
Principal	295,060	277,538	261,878	239,525
Interest and other fiscal charges	210,311	184,346	177,228	152,766
Defeasance of debt			2,138	1,386
Capital outlay	110,620	88,575	69,604	85,443
Total Expenditures	15,607,477	15,670,751	13,762,285	12,026,982
Excess of revenues over (under) expenditures	\$ (627,400)	\$ 72,342	\$ 37,419	\$ (453,418)

	2004	2003	2002
\$	2,488,055	\$ 2,377,996	\$ 2,364,112
	433,091	418,049	407,935
	1,054,479	1,021,967	980,284
	320,848	287,335	254,785
	160,757	149,458	131,763
	352,800	348,744	302,479
	428,412	412,367	402,878
	4,943,360	4,477,533	4,204,079
	130,333	86,974	37,353
	258,217	241,153	268,098
	16,651	16,320	15,154
	109,796	172,099	239,509
	299,009	312,856	317,263
	10,995,808	10,322,851	9,925,692
	1,219,944	1,191,877	1,133,606
	3,211,882	3,022,046	2,852,710
	4,775,753	4,291,837	4,212,066
	551,354	522,509	507,662
	482,235	484,955	381,064
	34,163	32,096	30,175
	925,757	876,269	875,165
	216,287	194,318	280,590
	153,272	146,429	154,430
	1,689	3,959	
	77,839	114,941	103,940
	11,650,175	10,881,236	10,531,408
\$	(654,367)	\$ (558,385)	\$ (605,716)

(Continued on Next Page)

Mississippi

Changes in Fund Balances of Governmental Funds

Table 4

Last Seven Fiscal Years

Modified Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

	2008	2007	2006	2005
Other Financing Sources (Uses)				
Bonds and notes issued	\$ 721,172	\$ 714,400	\$ 486,780	\$ 188,494
Capital leases issued	724	5,497	11,324	3,975
Discounts on bonds and notes issued	(390)	(250)	(242)	
Insurance recovery	3,874	781	4,408	
Payments on refunded bond anticipation notes		(33,000)		
Payments to refunded bond and lease escrow agents	(191,894)	(147,765)	(50,462)	(6,882)
Premiums on bonds, notes, and refunding bonds and notes issued	19,613	29,209	15,442	874
Refunding bonds and notes issued	208,955	175,365	51,870	7,215
Transfers in	387,993	616,239	498,623	294,453
Transfers out	(389,703)	(620,606)	(501,943)	(294,588)
Net Other Financing Sources (Uses)	760,344	739,870	515,800	193,541
Extraordinary Item				
Insurance recovery from hurricane damage			920	
Net Change in Fund Balances	\$ 132,944	\$ 812,212	\$ 554,139	\$ (259,877)
Debt Service as a Percentage of Noncapital Expenditures	3.5%	3.2%	3.4%	3.5%

Note: Due to changes in the State's fund structure when GASB Statement 34 was implemented, the changes in fund balance information is only available beginning in fiscal year 2002. This table has been restated for prior period adjustments.

¹ Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

² Federal government revenues increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Federal government revenues increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

³ Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

⁴ Recreation and resources development expenditures rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

	2004	2003	2002
\$	625,015	\$ 239,000	\$ 415,466
	4,834	6,046	5,070
	(180,678)	(536,921)	(381,313)
	7,865	59,728	41,558
	172,505	486,970	364,033
	304,180	248,954	352,432
	(307,994)	(250,919)	(355,539)
	625,727	252,858	441,707
\$	(28,640)	\$ (305,527)	\$ (164,009)
	3.4%	3.4%	4.4%

Mississippi

Taxable Sales by Industry

Last Ten Fiscal Years
(Expressed in Thousands)

Table 5

	2007	2006	2005	2004
Automotive	\$ 6,425,719	\$ 6,659,353	\$ 6,146,219	\$ 6,153,868
Contracting	7,289,281	6,077,508	4,450,580	4,227,714
Food and Beverage	7,183,345	6,860,282	6,667,695	6,585,188
Furniture	1,017,087	1,011,007	759,240	740,400
General Merchandise	7,517,150	7,389,359	6,627,840	6,350,285
Lumber and Building Materials	3,892,931	3,944,938	2,675,275	2,384,863
Machinery, Equipment and Supplies	3,065,223	2,883,980	2,253,956	2,056,435
Miscellaneous Retail	3,741,915	3,562,267	3,317,464	3,480,913
Miscellaneous Services	2,605,241	2,582,114	1,944,014	1,881,371
Public Utilities	4,160,798	4,323,055	3,687,135	3,332,978
Recreation	135,866	119,248	110,930	116,464
Wholesale	728,840	721,747	758,074	744,355
Total taxable sales	\$ 47,763,396	\$ 46,134,858	\$ 39,398,422	\$ 38,054,834
Gross tax collections	\$ 2,899,368	\$ 2,807,350	\$ 2,421,537	\$ 2,338,086
Average effective rate	6.07%	6.09%	6.15%	6.14%

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2007.

Source: Mississippi State Tax Commission

Sales Tax Revenue Payers by Industry

Fiscal Years 2007 and 1998

Table 6

	2007			
	Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
Automotive	11,289	13.2 %	\$ 358,905	12.4 %
Contracting	9,571	11.2	283,154	9.8
Food and Beverage	15,200	17.7	502,835	17.3
Furniture	2,388	2.8	71,196	2.4
General Merchandise	5,333	6.2	526,796	18.2
Lumber and Building Materials	5,886	6.9	272,505	9.4
Machinery, Equipment and Supplies	6,268	7.3	165,984	5.7
Miscellaneous Retail	22,162	25.8	254,584	8.8
Miscellaneous Services	5,969	6.9	179,041	6.2
Public Utilities	1,164	1.3	223,838	7.7
Recreation	526	0.6	9,511	0.3
Wholesale	44	0.1	51,019	1.8
Total	85,800	100.0 %	\$ 2,899,368	100.0 %

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2007.

Source: Mississippi State Tax Commission

2003	2002	2001	2000	1999	1998
\$ 5,993,019	\$ 6,102,300	\$ 5,847,392	\$ 6,170,349	\$ 5,983,176	\$ 5,447,407
4,062,074	4,074,641	3,908,410	4,335,402	4,265,836	3,745,037
6,181,754	6,329,716	6,359,213	6,304,232	6,159,492	5,857,463
724,376	730,471	747,479	790,395	797,853	755,253
5,994,698	5,809,645	5,494,382	5,194,255	4,884,481	4,541,655
2,016,383	1,915,703	1,888,429	2,112,044	2,059,528	1,806,148
2,079,293	2,124,054	2,206,481	2,321,233	2,348,386	2,225,443
3,700,174	3,305,031	3,267,289	3,164,988	2,936,565	2,485,570
1,695,247	1,687,695	1,694,971	1,722,853	1,699,602	1,564,658
3,207,453	3,113,292	3,109,723	2,269,785	2,134,249	2,135,616
108,309	107,782	105,941	116,327	113,617	105,925
718,041	704,607	680,678	683,733	647,794	601,971
\$ 36,480,821	\$ 36,004,937	\$ 35,310,388	\$ 35,185,596	\$ 34,030,579	\$ 31,272,146
\$ 2,208,570	\$ 2,199,918	\$ 2,158,940	\$ 2,130,636	\$ 2,042,078	\$ 1,885,299
6.05%	6.11%	6.11%	6.06%	6.00%	6.03%

1998

Number of Filers	Percentage of Total	Tax Liability (expressed in thousands)	Percentage of Total
11,308	14.3 %	\$ 291,288	15.5 %
6,534	8.3	136,658	7.2
15,253	19.3	408,553	21.7
3,044	3.8	52,832	2.8
5,157	6.5	318,405	16.9
5,527	7.0	123,925	6.6
5,574	7.1	118,491	6.3
19,692	24.9	170,632	9.0
5,558	7.0	108,960	5.8
914	1.2	112,096	5.9
394	0.5	7,411	0.4
101	0.1	36,048	1.9
79,056	100.0 %	\$ 1,885,299	100.0 %

Mississippi

Ratios of Outstanding Debt by Type

Last Seven Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

	2008	2007	2006	2005
Governmental Activities				
General Obligation Bonds and Notes ¹	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945
Limited Obligation Bonds	24,460	47,880	70,320	91,845
Capital Lease Obligations	12,555	18,568	19,034	62,456
Notes Payable	882,049	708,028	345,091	162,340
Certificates of Participation	2,190	2,330	2,460	2,585
Total Governmental Activities	4,373,327	3,912,038	3,448,625	3,199,171
Business-type Activities				
General Obligation Bonds	32,064	35,084	38,016	40,705
Revenue Bonds				150
Capital Lease Obligations	926	214	320	449
Total Business-type Activities	32,990	35,298	38,336	41,304
Total Primary Government	\$ 4,406,317	\$ 3,947,336	\$ 3,486,961	\$ 3,240,475
Amount of Debt Per capita ²	\$ 1,509	\$ 1,352	\$ 1,202	\$ 1,117
Debt as a percentage of Personal Income ³	5.2%	4.7%	4.5%	4.4%
Net General Obligation Bonded Debt⁴				
General Obligation Bonds and Notes ¹	\$ 3,452,073	\$ 3,135,232	\$ 3,011,720	\$ 2,879,945
Less: Debt Service	214,647	175,515	105,347	97,312
Net General Obligation Bonded Debt	\$ 3,237,426	\$ 2,959,717	\$ 2,906,373	\$ 2,782,633
Amount of Net General Obligation Bonded Debt Per capita ²	\$ 1,109	\$ 1,014	\$ 1,002	\$ 960
Net General Obligation Bonded Debt as a percentage of Taxable Sales ⁵	6.8%	6.2%	6.3%	7.1%

Notes:

¹ Fiscal years 2002-2004 have been restated to reflect amounts net of deferred refunding charges and premiums/discounts.

² See Table 11 for population data. For the current fiscal year, the prior year population data is used in the calculation.

³ See Table 11 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

⁴ Net General Obligation Bonded Debt is long-term debt reported in governmental activities.

⁵ See Table 5 for taxable sales data. For the current fiscal year, the prior year taxable sales data is used in the calculation.

	2004	2003	2002
\$	2,965,083	\$ 2,536,637	\$ 2,459,826
	112,515	132,390	151,535
	74,277	156,075	162,389
	92,877	9,406	6,891
	2,700	2,805	2,905
	3,247,452	2,837,313	2,783,546

	43,207	47,407	52,417
	295	430	555
	613	193	283
	44,115	48,030	53,255

\$	3,291,567	\$ 2,885,343	\$ 2,836,801
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\$	1,139	\$ 1,005	\$ 992
	4.7%	4.4%	4.4%

\$	2,965,083	\$ 2,536,637	\$ 2,459,826
	107,149	176,556	129,771
\$	2,857,934	\$ 2,360,081	\$ 2,330,055

\$	989	\$ 822	\$ 815
	7.5%	6.5%	6.5%

Mississippi

Legal Debt Margin

Last Ten Fiscal Years

Table 8

(Expressed in Thousands)

	2008	2007	2006	2005
Legal debt limit	\$ 12,009,366	\$ 10,930,262	\$ 10,056,571	\$ 8,740,586
Less: Net debt applicable to limit	3,237,426	2,959,717	2,906,373	2,771,968
Legal debt margin	\$ 8,771,940	\$ 7,970,545	\$ 7,150,198	\$ 5,968,618
Net debt applicable to the limit as a percentage of legal debt limit	27.0%	27.1%	28.9%	31.7%

Legal Debt Margin Calculation for Fiscal Year 2008:

Legal debt limit ¹	\$ 12,009,366
Amount of debt applicable to limit ²	\$ 3,452,073
Less: amounts available for debt service	214,647
Less: Net debt applicable to limit	3,237,426
Legal debt margin	\$ 8,771,940

Notes:

¹ The State's constitutional debt limit is established under Section 115 of the Mississippi Constitution at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Revenues included in the foregoing debt limitation computation are restricted by current practice to the following revenues: taxes, licenses, fees and permits, investment income, rental income, service charges (including net income from the sale of alcoholic beverages), fines, forfeits, and penalties. Defined revenues for the four preceding years were:

Fiscal Year	Applicable Revenues
2007	\$ 8,006,244
2006	7,286,841
2005	6,704,381
2004	5,827,057

² The legal debt limit applies to total governmental activities long-term bonded debt.

	2004		2003		2002		2001		2000		1999
\$	8,429,055	\$	8,142,318	\$	8,142,318	\$	7,994,129	\$	7,627,217	\$	7,138,012
	2,846,985		2,339,941		2,312,810		2,158,098		1,919,008		1,802,781
\$	5,582,070	\$	5,802,377	\$	5,829,508	\$	5,836,031	\$	5,708,209	\$	5,335,231

33.8%

28.7%

28.4%

27.0%

25.2%

25.3%

Mississippi

Average Annual Employment by Sector

Last Ten Calendar Years

Table 9

	2007	2006	2005	2004
Agriculture	14,259	14,857	15,771	16,089
Construction	62,381	60,829	55,635	52,614
Finance, insurance and real estate	47,245	46,575	46,444	45,997
Manufacturing	169,657	176,012	178,775	180,146
Mining	6,178	5,815	4,841	4,842
Public administration	54,157	52,961	53,585	53,983
Retail trade	141,865	142,672	139,126	139,062
Services	512,957	497,075	493,242	489,639
Transportation and public utilities	63,702	63,098	63,171	63,224
Wholesale trade	36,954	36,388	35,131	34,929

Source: Mississippi Department of Employment Security, Labor Market Information

Average Annual Wages by Sector

Last Ten Calendar Years

Table 10

	2007	2006	2005	2004
Agriculture	\$ 26,293	\$ 25,233	\$ 24,114	\$ 23,398
Construction	37,191	35,693	32,441	29,445
Finance, insurance and real estate	39,622	38,074	36,184	34,748
Manufacturing	37,303	35,768	34,519	33,204
Mining	60,851	55,894	50,776	46,320
Public administration	29,863	28,278	27,636	26,754
Retail trade	21,603	21,565	20,436	19,650
Services	29,223	28,132	26,834	25,889
Transportation and public utilities	39,079	38,234	37,492	35,972
Wholesale trade	47,294	44,994	42,164	40,135

Source: Mississippi Department of Employment Security, Labor Market Information

2003	2002	2001	2000	1999	1998
15,966	16,211	17,169	17,983	18,427	17,056
54,228	57,383	55,311	58,513	58,741	57,738
46,042	45,835	45,942	42,915	42,940	42,620
179,671	188,857	201,623	233,396	244,019	245,561
4,785	4,824	5,479	4,523	5,025	6,272
53,231	52,832	53,037	51,069	49,358	47,814
138,848	140,879	142,212	209,811	207,042	197,611
480,338	473,257	464,686	387,568	384,459	374,512
62,895	63,352	64,513	57,615	55,712	53,804
34,993	34,980	35,263	46,866	47,387	47,689

2003	2002	2001	2000	1999	1998
\$ 22,910	\$ 21,748	\$ 21,193	\$ 19,239	\$ 18,859	\$ 18,064
29,594	29,682	28,312	27,705	26,937	26,508
33,455	32,562	31,215	32,252	30,460	30,005
31,950	30,346	29,376	28,496	27,630	26,712
44,827	43,682	41,754	38,404	40,171	36,794
26,089	25,055	24,393	23,829	23,043	22,463
19,158	18,471	18,003	14,736	14,500	14,003
24,984	24,104	23,476	24,508	23,489	22,870
34,590	33,897	33,488	34,910	33,210	32,721
37,870	36,614	35,567	33,399	32,532	31,466

Mississippi

Demographic and Economic Statistics

Last Ten Calendar Years

Table 11

Year	Population	Unemployment Rate		Personal Income	Per capita Personal Income
		Mississippi	U.S.		
2007	2,920,000	6.3 %	4.6 %	\$ 84,193,000,000	\$ 28,833
2006	2,900,000	6.7	4.6	78,356,000,000	27,019
2005	2,900,000	7.8	5.1	74,033,000,000	25,529
2004	2,890,000	6.4	5.5	69,778,000,000	24,145
2003	2,870,000	6.4	6.0	66,304,000,000	23,102
2002	2,860,000	6.7	5.8	63,979,000,000	22,370
2001	2,850,000	5.6	4.7	62,739,000,000	22,014
2000	2,850,000	5.6	4.0	59,838,000,000	20,996
1999	2,830,000	5.1	4.2	56,719,000,000	20,042
1998	2,810,000	5.4	4.5	54,820,000,000	19,509

Sources:

Mississippi Econometric Model

Mississippi Department of Employment Security

U.S. Department of Labor, Bureau of Labor Statistics

Mississippi

Principal Employers

Table 12

Most Current Calendar Year and Nine Years Prior
(Ranked by Number of Employees)

Employer	Rank	2007		Rank	1998	
		Percentage of All Employees	Average Number of Employees		Percentage of All Employees	Average Number of Employees
State of Mississippi	1	2.7 %	33,600	1	2.6 %	31,000
Federal Government	2	2.1	26,200	2	2.2	26,200
Wal-Mart ¹	3	2.1	25,400			
Northrop Grumman	4	1.0	12,800			
University of Mississippi Medical Center ¹	5	0.6	7,500			
Harrah's Entertainment	6	0.5	5,800	3	0.7	8,600
Nissan North America	7	0.4	5,100			
North Mississippi Medical Center ¹	8	0.3	4,300			
Howard Industries	9	0.3	4,200	10	0.3	3,000
Lane Furniture	10	0.3	4,000			
Litton Industries ²				4	0.9	10,300
Tyson Foods				5	0.4	4,500
Sanderson Farms				6	0.4	4,300
International Paper				7	0.3	3,800
Georgia-Pacific				8	0.3	3,300
B. C. Rogers				9	0.3	3,100
Total Principal Employers		10.3 %	128,900		8.4 %	98,100
Total Employed Labor Force		100.0 %	1,231,700		100.0 %	1,199,200

¹ Information is not available for historical comparison.

² Litton Industries was acquired by Northrop Grumman in 2001.

Sources:

Mississippi Development Authority
Statewide Payroll and Human Resource System
Mississippi Department of Employment Security

Mississippi

Public School Enrollment

Last Ten Academic Years

Table 13

	2007/2008	2006/2007	2005/2006	2004/2005
Kindergarten	41,453	42,277	42,824	42,158
Grades 1-3	118,969	117,424	114,830	114,453
Grades 4-6	111,009	112,101	113,468	116,383
Grades 7-9	118,593	120,271	120,852	120,186
Grades 10-12	96,003	93,287	91,663	89,641
Special Education	7,275	8,775	10,401	11,769
Total Enrollment	493,302	494,135	494,038	494,590

Source: Mississippi Department of Education

Community and Junior College Enrollment

Last Ten Academic Years

Table 14

	2007/2008	2006/2007	2005/2006	2004/2005
Coahoma Community College	2,398	2,201	2,428	2,506
Copiah-Lincoln Community College	3,811	3,933	3,792	3,681
East Central Community College	2,841	3,096	3,268	3,540
East Mississippi Community College	6,353	4,938	4,569	4,523
Hinds Community College	16,747	13,487	13,004	13,803
Holmes Community College	5,124	5,164	5,220	4,991
Itawamba Community College	8,339	7,363	7,089	6,567
Jones County Junior College	5,658	5,785	6,219	6,344
Meridian Community College	4,065	3,946	3,813	4,089
Mississippi Delta Community College	3,659	3,815	3,995	3,862
Mississippi Gulf Coast Community College	9,674	9,045	8,934	10,894
Northeast Mississippi Community College	5,223	5,264	5,266	5,854
Northwest Mississippi Community College	6,900	7,457	6,953	6,663
Pearl River Community College	4,263	4,411	4,256	4,585
Southwest Mississippi Community College	2,080	1,986	2,121	2,303
Total Enrollment	87,135	81,891	80,927	84,205

Source: Mississippi State Board for Community and Junior Colleges

University Enrollment

Last Ten Academic Years

Table 15

	2007/2008	2006/2007	2005/2006	2004/2005
Alcorn State University	3,668	3,583	3,544	3,443
Delta State University	4,091	4,217	4,119	3,990
Jackson State University	8,698	8,256	8,416	8,351
Mississippi State University	17,039	16,206	16,101	15,934
Mississippi University for Women	2,379	2,428	2,285	2,231
Mississippi Valley State University	3,009	3,162	3,165	3,621
University of Mississippi	17,323	17,312	16,928	16,500
University of Southern Mississippi	14,592	14,777	15,030	15,253
Total Enrollment	70,799	69,941	69,588	69,323

Source: Institutions of Higher Learning, Office of Research and Planning

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
40,536	38,811	38,736	39,055	39,455	41,057
114,719	116,431	119,157	121,810	124,176	124,759
117,899	118,463	119,022	118,450	116,155	113,584
118,632	116,799	114,533	114,885	115,585	116,913
88,384	88,437	88,644	89,796	90,947	91,783
12,387	12,682	12,106	12,562	13,044	14,283
492,557	491,623	492,198	496,558	499,362	502,379

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
2,392	2,481	2,150	1,418	1,317	1,336
3,796	3,370	3,160	3,272	3,086	2,967
3,540	3,414	3,347	3,312	2,605	2,518
4,103	4,043	3,303	3,121	2,848	3,033
15,202	11,152	11,389	10,976	10,943	10,361
4,945	3,851	3,482	3,328	3,089	2,466
6,778	5,667	4,563	4,075	3,946	3,965
6,231	5,841	5,625	5,572	5,016	5,465
3,944	3,815	3,743	3,183	3,077	3,132
4,128	3,960	3,750	3,419	5,242	4,208
10,551	9,934	8,877	9,140	10,054	10,124
4,996	4,667	4,463	4,353	4,792	4,366
6,523	6,371	5,760	5,127	5,074	5,083
3,898	3,661	3,156	3,245	3,291	3,264
2,280	2,277	2,159	2,083	2,066	2,022
83,307	74,504	68,927	65,624	66,446	64,310

2003/2004	2002/2003	2001/2002	2000/2001	1999/2000	1998/1999
3,309	3,150	3,096	2,936	2,871	2,860
3,902	3,963	3,875	3,916	4,086	4,048
7,815	7,783	7,098	6,832	6,354	6,292
16,173	16,610	16,878	16,561	16,076	15,718
2,048	2,105	2,328	2,815	2,953	3,314
3,506	3,501	3,081	2,687	2,509	2,445
15,577	14,961	14,429	13,928	13,527	13,305
15,050	15,266	15,232	14,509	14,350	14,533
67,380	67,339	66,017	64,184	62,726	62,515

Mississippi

Capital Asset Statistics by Function

Last Nine Fiscal Years

Table 16

	2008	2007	2006	2005
General Government				
Department of Finance and Administration				
Buildings	46	46	42	26
Vehicles	42	41	37	35
Tax Commission				
Vehicles	47	47	45	45
Education				
Department of Education				
Vehicles	47	44	46	42
Law, Justice and Public Safety				
Department of Corrections				
Buildings	626	633	633	642
Vehicles	676	707	683	674
Department of Public Safety				
Buildings	37	37	37	36
Vehicles	924	943	907	805
Recreation and Resource Development				
Department of Wildlife, Fisheries and Parks				
State Parks	26	26	24	28
Acres of State Parks	24,260	23,904	23,908	23,800
Buildings	815	812	831	844
Vehicles	609	614	627	681
Forestry Commission				
Buildings	408	418	422	429
Vehicles	493	508	483	531
Transportation				
Department of Transportation				
Miles of state highway	10,949	10,974	10,950	10,927
Vehicles	2,547	2,595	2,604	2,604
Health and Social Sciences				
Department of Mental Health				
Buildings	547	541	535	525
Vehicles	802	798	755	742

Note: Capital asset statistics by function are only available beginning in fiscal year 2000.

Sources:

Mississippi Office of the State Auditor, Property Audit Division
Mississippi Department of Public Safety
Mississippi Department of Wildlife, Fisheries and Parks
Mississippi Department of Transportation

2004	2003	2002	2001	2000
25	22	22	21	20
35	32	32	31	33
45	46	44	42	42
42	41	43	41	43
642	641	634	625	532
702	649	598	699	664
36	36	33	33	33
834	808	805	804	791
28	28	28	28	29
23,800	23,714	23,714	23,714	23,756
841	852	814	830	804
723	730	712	687	682
424	428	431	429	426
578	539	546	484	493
10,926	10,689	10,678	10,665	10,649
2,642	2,646	2,395	2,402	2,467
520	512	481	477	360
712	700	650	630	599

Mississippi

State Government Employees by Function

Last Ten Fiscal Years

Table 17

	2008	2007	2006	2005	2004	2003
General Government						
Department of Finance and Administration	380	363	338	330	327	323
Tax Commission	726	713	697	708	738	734
Treasury	39	37	38	37	38	39
All Other	1,438	1,402	1,380	1,413	1,446	1,427
Education						
Department of Education	782	773	737	766	804	797
All Other	200	195	191	195	202	209
Health and Social Services						
Department of Human Services	3,046	2,991	2,925	2,987	3,179	3,362
Division of Medicaid	908	917	942	877	580	572
Department of Mental Health	8,951	8,930	8,685	9,043	8,695	8,617
Department of Rehabilitation Services	964	949	882	871	893	877
All Other	3,329	3,393	3,336	3,467	3,495	3,510
Law, Justice and Public Safety						
Department of Corrections	3,153	3,071	3,072	3,051	3,336	3,656
Department of Public Safety	1,365	1,274	1,199	1,183	1,202	1,004
All Other	1,994	1,883	1,746	1,749	1,741	1,933
Recreation and Resource Development						
Department of Environmental Quality	428	433	426	447	472	471
Department of Wildlife, Fisheries and Parks	710	788	777	826	926	844
Forestry Commission	521	513	479	548	587	592
Mississippi Development Authority	279	282	261	271	312	311
All Other	412	408	395	412	420	421
Regulation of Business and Professions						
Public Service Commission	97	95	92	94	101	156
Oil and Gas Board	33	32	31	28	30	28
All Other	246	242	244	239	243	238
Transportation						
Department of Transportation	3,346	3,267	3,271	3,384	3,316	3,300
Total	33,347	32,951	32,144	32,926	33,083	33,421

Source: Statewide Payroll and Human Resource System, Total Filled Positions

2002	2001	2000	1999
328	334	349	333
734	762	778	761
38	38	34	30
1,438	1,433	1,438	1,263
775	791	804	777
212	214	220	221
3,394	3,541	3,746	3,609
547	554	482	395
8,523	8,420	8,213	7,739
874	849	768	801
3,318	3,288	3,231	3,249
3,675	3,745	3,644	3,523
1,012	1,065	1,023	989
1,907	1,858	1,811	1,740
471	471	76	450
867	896	1,030	1,041
630	625	697	680
299	303	307	322
429	429	436	371
148	142	136	136
30	32	29	31
234	230	228	216
3,265	3,329	3,286	3,304
33,148	33,349	32,766	31,981

Mississippi

Operating Indicators by Function

Last Ten Fiscal Years

Table 18

	2007	2006	2005	2004
General Government				
Tax returns processed	4,800,000	4,750,000	4,700,000	4,650,000
On-going construction projects	725	708	707	756
Tort claims processed	1,081	726	1,354	2,529
Unclaimed property claims paid	9,781	6,670	5,360	41,652
Corporate filings processed	30,740	30,441	27,184	29,293
UCC filings processed	289,990	28,317	261,215	231,688
16th section leases	12,200	12,360	12,367	12,311
Education				
Average cost per public school student	\$8,298	\$7,996	\$7,208	\$6,794
Public high school graduates	23,149	23,691	23,415	23,427
Public school teachers, K-12	32,746	32,129	32,027	31,611
Health and Social Services				
Average monthly households receiving food stamps	174,924	172,814	153,943	149,817
Food establishments inspected	36,027	28,953	27,832	33,505
Child support collections from non-custodial parents	\$242,768,697	\$230,206,702	\$218,293,613	\$206,596,005
Medicaid recipients receiving medical services	547,811	583,523	673,571	730,000
Law, Justice and Public Safety				
Average inmate population in prisons	10,145	9,669	9,891	10,833
Supervised offenders in communities	29,964	21,736	23,781	22,053
Driver licenses issued	755,000	755,000	667,800	753,809
Recreation and Resource Development				
Estimated attendance at fairground events	1,200,250	1,058,250	1,056,450	1,057,569
Estimated attendance at the Dixie Livestock Show	126,080	110,081	128,459	127,463
Tourist registered at welcome centers	2,782,648	2,551,894	2,862,349	2,937,560
Land reforested (acres)	61,075	54,886	91,035	57,980
Hunting and fishing licenses sold	585,466	525,000	525,000	533,533
Overnight accommodations at state parks	674,280	682,525	672,525	765,564
Regulation of Business and Professions				
Utility complaints investigated	6,766	6,749	6,520	6,547
Well inspections by Oil and Gas Board	22,083	20,879	18,000	19,763
Transportation				
Overlays (miles)	146	340	421	594
Replacement of deficit bridges	62	11	29	73

Note: The most current fiscal year available is fiscal year 2007.

Sources:

Mississippi Legislative Budget Office, Agency Budget Submissions

Mississippi Joint Legislative Budget Committee, Proposed Budget

Mississippi Department of Education, Superintendent's Annual Report to the Legislature

2003	2002	2001	2000	1999	1998
4,600,000	4,550,000	4,550,000	4,500,000	2,575,000	2,541,950
863	830	862	748	637	631
2,312	1,337	1,524	1,545	1,443	1,517
13,683	8,490	4,399	2,166	5,218	7,679
33,779	34,658	17,220	14,974	12,979	17,323
228,930	119,509	127,234	110,638	96,207	102,655
13,800	14,171	14,967	12,528	12,579	12,463
\$6,402	\$5,908	\$5,717	\$4,905	\$5,120	\$4,777
23,703	23,398	23,740	24,194	24,148	24,477
29,071	29,166	31,017	30,782	29,939	29,574
137,793	123,780	113,178	109,192	119,809	135,946
28,939	19,990	28,886	28,416	27,431	30,979
\$195,621,754	\$191,423,389	\$178,496,714	\$174,659,489	\$141,000,000	\$125,024,234
720,304	650,452	587,341	512,956	486,660	525,000
10,639	10,293	10,043	8,916	8,754	8,938
22,342	17,394	16,677	14,280	14,280	14,024
663,893	659,846	659,846	659,846	579,510	560,154
912,749	912,749	575,000	1,875,000	1,875,000	1,875,000
130,000	130,000	125,000	121,000	125,000	125,000
2,870,001	3,133,953	2,994,723	3,105,714	2,903,934	2,996,687
116,681	62,214	129,447	176,802	140,000	175,000
520,000	520,000	573,115	520,000	559,824	520,000
719,637	719,637	650,896	650,896	652,732	632,934
6,172	2,569	4,334	2,355	3,904	1,998
18,920	15,962	25,374	16,964	16,334	16,121
556	620	257	337	476	348
126	128	170	125	99	157

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This report may be viewed at: www.dfa.state.ms.us